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China Report

ECONOMIC AFFAIRS



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17 February 1984

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NATIONAL POLICY AND ISSUES

REFORM OF COMMERCIAL SYSTEM FOR OVERALL ECONOMIC DEVELOPMENT

Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 5, 15 May 83 pp 24-27

[Article by Lu Muyun [7120 1970 0061]: "Reforming the Commercial System Is the Objective Demand for Great Economic Development"]

[Text] This year is a new year for overall reforms, in doing away with the old and establishing the new. Agricultural reform has already taken the lead. Industrial reform is prospering. The reform of commerce must be carried out. It is not by chance that such a good situation for reform has emerged. It is the necessary result of implementing the series of lines, policies and principles since the 3d Plenum of the 11th Party Congress, of implementing economic readjustment and of coordinating various major proportional relations. In the past 3 years, some reforms have also been carried out on a trial basis in commerce, and some beneficial experience has been initially explored. Last year, a "buyer's market" emerged for some commercial products. Under this new situation, the current system of commodity circulation is becoming less suited to the requirements of developing the situation. Therefore, there is an urgent need for us to reform the overall commercial system.

Marxism believes production is the starting point, consumption is the final destination and circulation is the intermediate link. Commerce is the band that links industry and agriculture, the bridge that joins production and consumption, and it is an important link that is indispensable in the course of reproduction in society. Grasping the reform of the commercial system is a breakthrough point in the current economic reform. At present, daily consumer products and agricultural sideline products that are being exchanged are much more abundant than in the past, but blocks in the channels of circulation are still present and they hinder the further liberation of productive forces. If there are breakthroughs in the system of commodity circulation, undoubtedly they will produce an active function in all aspects of production, exchange, distribution and consumption.

We also have experience in grasping circulation to promote economic development. After reviewing the beginning period after the founding of the nation, the state implemented many major economic policies and measures via state-run business enterprises to quicken the socialist reconstruction of agriculture, the handicraft industry and capitalist industries and

commercial businesses and thus promoted economic restoration and development. During the 3 years of economic readjustment at the beginning of the 1960's, a series of correct economic policies were drawn up, the function of circulation was strengthened, the restoration of production was promoted, temporary difficulties were overcome and the market was stabilized. Today, our nation has already entered a new historical period of building socialist modernization, but the current commercial system has become completely unsuitable to the actual situation, which has greatly changed. According to the spirit of the 12th Congress of the party, we should firmly hold onto the principle of the public ownership system of production materials and the fundamental system of the planned economy and quicken step by step the reform of the commercial system with leadership. These have a practical and long-range significance in opening up a new situation in economic work, in promoting the production of commodities, in developing the circulation of commercial products, in making the urban and rural economy prosperous so that commerce can better serve the ever growing material and cultural needs of the people and in building socialist modernization.

The reform of the commercial system involves many things. This article will discuss three aspects of the reform of the commercial system in Shanghai.

The Implementation of the Business Contract Responsibility System Among Retailers and Service Enterprises

Retailers and service enterprises are the foundation of the inner structure of commerce. The commodities that enter the market will all finally enter consumption via retailing; therefore, the good or bad management and operation of enterprises and the good or poor quality of service are closely related to industrial and agricultural production and people's lives. They will create a series of chain reactions in the reform of the entire commercial sector. Therefore, commercial reform should begin by grasping basic-level cell organizations.

In recent years, the more than 3,700 retailers and service enterprises with 100,000 workers in Shanghai separately implemented various forms of the business responsibility system. Most have made reforms in inner distribution while only individual units established contract responsibility systems. Beginning this year, many forms of the business contract responsibility system were implemented. The collective food and beverage businesses in the city have already implemented them on an overall basis. In view of the practice, although further perfection is still needed in the areas of contracted work, internal responsibility, method of distribution and the inspection and supervision system to safeguard the benefits of consumers, and although some theoretical questions still need to be discussed in depth, the results have been good since trial implementation. In general, the democratic management of enterprises was strengthened, the service attitude of workers improved, the quality of service improved, the business hours were extended, the varieties of businesses increased, the masses of residents said the services were convenient and the economic

results were good. Take the economic results of the trial implementation of contract work in the collective food and beverage businesses in the city as an example. During the first 3 months of this year, the business volume increased 7.3 percent from the same period last year, profits increased 67 percent, the income taxes submitted to the state increased 45 percent and workers increased their business enthusiasm. The 190 beverage and food stores in the South City Ward increased more than 170 varieties of desserts. Three-fourths of the dessert shops in Luwan Ward supplied soybean milk to more than 7,000 families of residents by the month, and many beverage and food stores delivered desserts to factories and kindergartens. Some even provided mobile services by peddling on the streets and alleys. Distribution to the workers was closely linked to the achievements of labor, grades were widened and those who worked more got more and those who worked less got less, and shortages were made up by deducting the amount from salary. Facts show that the implementation of the business contract responsibility system helped shatter "eating from the big pot" and egalitarianism and enabled enterprises to develop toward a concrete economy "with external pressure and internal drive." It is expected that as the responsibility system continues to improve and be perfected, this major reform of the business management system will surely show its superiority even more.

To implement the business contract responsibility system step by step, the Shanghai Department of Commerce made plans for the expansion of the steps and the scope of the test points for retailers and service enterprises. The general requirement is that service-type enterprises should develop more quickly than purely commercial businesses, collectives should develop more quickly than state-operated enterprises and small enterprises should develop more quickly than large and medium enterprises. The commercial bureaus, companies and zones all have test-point tasks. This benefits mobilizing the enthusiasm of every sector to gain experience in many aspects. Each county also arranged for test points.

Some problems initially encountered in the test-point work of the business contract responsibility system were mainly the following:

1. The question of the purpose of the business contract responsibility system. In his report to the fifth meeting of the Fifth National People's Congress when he described the reforms of the economic system, Premier Zhao Ziyang said: "The current reform is to shatter 'eating from the big pot,' 'the permanent positions' and such old practices and truly implement the practice of getting more for more work done, getting less for less work done and not getting anything for not doing any work. The significance is as important as the reform of the privately operated industrial and commercial enterprises." This statement generally pointed out the purpose of economic reform. We understand that the central question is to reform and establish a complete socialist economic system with a Chinese character. The goal of the business contract responsibility system is to find a Chinese-style business management system of retailers and service enterprises. Therefore, the purpose of the business contract system should be to shatter "eating from the big pot" and egalitarianism, fully mobilize the socialist enthusiasm of workers, enliven circulation, promote production,

provide convenience to the masses, make the nation wealthy and provide benefits to the people. This guiding ideology must be very clear. For this, some questions about understanding must be clarified at present. One view is to regard contracting work as providing more benefits to the individual. This understanding violates the purpose of contracting work and is obviously not right. Another view is to regard contracting work as the renovation and progress of the business management system, mistakenly believing it to be "going backwards." This understanding confuses the progressiveness of the principle of each according to his ability and distribution according to his work and the boundary between the backwardness of "eating from the big pot" and egalitarianism. Its true nature is a reflection of the influence of "left" deviationist ideology. The experience of some units which have implemented contracting work on a trial basis shows it is necessary to educate the cadres and workers in the purpose and significance of contracting work in business. This lesson must not be lacking. Only by making the guiding ideology right and recognizing the correct direction can reforms become broader.

2. The question of the content and the form of contracting work in business. On the content of contracting work, we should realize the principle of joining responsibility, authority and benefits while taking responsibility as the main issue. On the one hand, the enterprises must not only bear economic responsibility to the state and determine the standards for economic inspection, they must also bear other responsibilities established by the state, obey state laws and financial and economic discipline and protect the benefits of consumers. At the same time, the state must also expand the autonomy of enterprises in operating the business, in handling finances, in awarding and penalizing personnel and in distributing labor and wages so that the enterprises can utilize this authority to realize better the task of contracting work. This year, after state-operated enterprises implement the system of changing profits to taxes, will the system of contracting work for the state by the enterprises still exist? We believe that financially speaking, the state has solved the distributive relationship between the state and the enterprises via taxation. But, in the economic responsibility of enterprises, they still have to bear the responsibility for meeting the goals of economic plans to be completed as stipulated by the higher supervisory departments. The units approved by the supervisory departments to contract work should sign contract implementation plans, and therefore the meaning of enterprises contracting work for the state still exists. The other aspect is to contract work within the enterprises. This is the key emphasis of present efforts. Contracting units must all combine their efforts with the reorganization of the enterprises to strengthen the internal responsibility system. The foremost is to establish well a leading group which, at the same time, must establish sound democratic management, financial management, quota management, responsibilities of each post, service regulations, review for awards and penalties and distribution of workers and such systems and fully mobilize the enthusiasm of the workers to realize ideal economic benefits and social results. In the form of contracting work, they must separate the different ownership systems, the different professions, the different scales and the different foundations and implement different forms of the business contract

responsibility system. Large and medium state-operated enterprises, small state-operated enterprises, policy-type deficit enterprises and collective enterprises must all be treated differentially. Some units must also link the completion of contracting work and the distribution of labor and implement floating wages and many forms. In general, measures must be suited to the professions, localities and families, and we must absolutely avoid arbitrary uniformity and the establishment of a single mold.

3. The question of correctly handling the relationship among the state, the enterprises, the workers and the consumers. Because commercial enterprises and service enterprises directly serve the people and masses, the implementation of contracting work, therefore, not only must handle well the relationship among the state, the enterprises and the workers but must also properly establish the relationship with the consumers. Among these four, the state and the consumers must be taken care of in a key way. In the relationship with the state, we must first guarantee that the state will increase its revenue so that the state will receive the largest portion, the enterprises will receive the medium portion and the workers will receive the small portion. In the relationship with the consumers, we must establish a commercial reputation and abide by commercial integrity. Concretely speaking, we must first strictly implement the commodity price policy and not allow price hikes at will. Second, we must insist on fair trade, the true value for true merchandise, and must not allow cheating, the use of second-grade products in place of good products, short changing and scamp work and stint material. Third, we must determine the scope of business and the varieties and service items according to the people's needs, and we cannot lessen the business involving commercial products and the supply of popular desserts that are cheap and good tasting. We should regard the concrete protection of the benefits of the consumers as an important discipline in contracting work. Now, the question of crooked business practices by a few contracting units has already been discovered. Concerned departments are conducting inspections, providing education and quickly correcting such practices. Winning with trust is the only way to please the local customers and attract far-away customers. One may be able to get away with cheating once but will suffer in the end. Damaging the people's benefit is damaging the state's benefit. Many contracting units are paying attention to ideological education in this aspect and correcting business ideology, and the result is a good reputation and good business. In view of the practice of this period, there are many ways for enterprises to increase income. Some units did the following: (1) They increased the marketing of commercial products and enlarged their services according to business policy and via proper channels. (2) They reduced losses from wastefulness, for the units dealing in fresh and live commodities have a great potential in this aspect. (3) They reduced the links of intermediate circulation, paid attention to commodities that suited the market needs, reduced inventory and accumulation and reduced the cost of circulation. Contracting units should be guided in increasing income from such lawful ways. One must never think of ways to make more from consumers. This is a question that must be especially emphasized in the present implementation of business contracting.

4. The question of perfecting the method of internal distribution in enterprises. Profits kept by the enterprises should be subjected to unified planning with due consideration for all and should be rationally arranged. The shares of the profits kept by the state-run enterprises are usually determined from four factors, i.e., funds for the development of the enterprises, regulatory or reserve funds, collective welfare funds and funds for distribution to workers. The after-tax profits kept by the collective enterprises are also divided into four parts: public funds, regulatory funds, public benefit funds and funds for distribution to workers. In drawing up the shares and using the funds, one must start out from the actual situation and pay attention to several questions: First, we must guarantee that the enterprise gets the medium share so that the enterprise has a definite financial strength to improve facilities and develop business. Second, we should concentrate some regulatory funds for use in unified expenditures within the profession, and the funds can be used to do things that a unit cannot possibly achieve. This will benefit the enterprises and the workers. Third, when determining the share of the funds for distribution to the workers, we must make sure that the increase in the wages of the workers will not surpass the scale of profits and the rate of growth of labor productivity. When using the funds, we should use the surplus to make up the shortage, and we cannot distribute and use up everything. Distribution to the individual workers must follow the principle of distribution according to work so that the benefits of workers are closely linked to the business achievements of the enterprise, the social results and the results of individual labor. The grades must be separated, more compensation should be received for more work, less should be received for less work, the conscientious workers should be rewarded and the lazy should be penalized. At present, we should also actively explore the method of combining the improvement in the distribution of award money and self-supporting wages to be implemented on a trial basis within the enterprises.

Restoring the Cooperative Commercial Character of the Basic-Level Supply and Marketing Cooperatives

Our nation's rural areas are undergoing drastic changes. The reform of productive relations has enabled the productive forces to realize a new liberation. Singular production is changing toward diversification and comprehensive development. Traditional agriculture is changing toward modernized agriculture. Self-sufficient and semi-self-sufficient production is changing toward large-scale commercial production. There is a higher percentage of commercial products provided by the implementation of many forms of the system of contracting work by linking it to production and the many specialized families and key families that have thus emerged. Jiao County in Shanghai now has more than 30,000 specialized families and key families. The changes in the rural economic structure have opened up a broad future for the production of commercial products. Correspondingly, there must be cooperative commerce closely combined with the benefits of the farmers to serve the development of the production of commercial products in the farm villages. In recent years, although the work of the rural supply and marketing cooperatives has improved, it still cannot

freely adapt to the needs of the farmers because of the limitations of the current system. Therefore, hastening the reform of the system of supply and marketing cooperatives, restoring the cooperative commercial character and expanding the scope of business and the realm of services are needed in rural economic development and are also the strong wishes of the farmers.

How can we establish the supply and marketing cooperatives as truly cooperative commercial businesses? Now we must do the following tasks well.

1. Establish the test points for reform of the system of basic-level cooperatives well, restore the cooperative commercial character and establish joint county cooperatives well. Jiao County in Shanghai has a total of 204 basic-level supply and marketing cooperatives. This year, we selected 26 basic-level cooperatives as test points to carry out reforms of the system. These were the steps: We first restored the cooperative commercial character of supply and marketing cooperatives and restored and strengthened the mass character in organization, democracy in management and versatility in business. Now, the test-point units that have implemented the measures relatively quickly have already completed the processes of clarifying the shares and giving out dividends, increased the shares, established a system of conferences of commune member representatives, drew up new commune charters and democratically elected members of the board, supervisory members and actual leaders. They are also expanding the scope of business and realm of services and closely combining business activities with agricultural production and the benefits of the farmers. The Yushan Supply and Marketing Cooperative of Songjiang County originally had 1,678 shares. This time the number increased by 4,426 shares. The number of peasant families buying shares constituted 90 percent of the total number of families. The Yangxing Supply and Marketing Cooperative of Baoshan County originally had 3,082 shares. This time the number increased to 6,385 shares, an increase of 112 percent, and all the peasant families, all workers of the supply and marketing cooperative and all cadres of the commune bought shares, a welcome scene. On this foundation, these units initially improved the purchasing and marketing work. The farmers were very happy. They said: "The old tradition of the supply and marketing cooperatives of the 1950's has again returned." The second step was to establish joint cooperatives between towns centered around the central townships. This was done in consideration of the future development of specialized production, and economic units that span brigades and regions will surely emerge. At the same time, the assembly and distribution of commodities have always relied on towns. This trend will expand day by day. We should adapt to the needs of the economic levels, gradually combine redundant commercial agencies in towns and communes and establish joint cooperatives centered around towns. Now this is being implemented on a trial basis with six basic-level communes and towns as test points. The third step is to let the county supply and marketing cooperative shoulder the task of being the basic-level joint cooperative with the prerequisite of maintaining the established system of county supply and marketing cooperatives, and we must also establish commune member representatives conferences of joint county cooperatives, elect members of the board and supervisory members, strengthen democratic management, shoulder state tasks

and lead the commerce of basic-level supply and marketing cooperatives so that "one has two responsibilities" and further make supply and marketing cooperatives into rural cooperative commercial enterprises with a Chinese character. This step must be conducted on the foundation of reforming the system of basic-level cooperatives. The arrangement described above suits the actual situation of the Jiao County supply and marketing cooperative in Shanghai.

2. We should fully develop the "three natures" of supply and marketing cooperatives. The "three natures" refer to the mass character in the organization of the supply and marketing cooperatives of the 1950's, the democratic nature in management and versatility in business. In reviving them today, we should learn the original essence and give it new substance. The mass character in organization is mainly to absorb most and even all of the farm families into the supply and marketing cooperatives by increasing the number of shares. The amount of money the farm families have paid to buy shares with the supply and marketing cooperatives serving as test points in the present reform is not much. In general each share costs 4 yuan. The money from the shares of peasant families constitutes 2 percent of the circulating capital of the basic-level cooperatives. The dividends paid are generally no lower than the interest paid on fixed-term savings. As the business of the supply and marketing cooperatives develops, more things have to be taken care of, and now the farmers are on the way toward becoming rich through work. The situation today is very different from that in the 1950's. The farmers have money, and in the future, funds can be solicited by increasing the number of shares and by soliciting joint investment by specialized families and joint business ventures. In this respect, the economic strength of the mass nature of supply and marketing cooperatives is very great. The democratic nature in management is to make sound the democratic management system. The commune member representatives conference is the highest power organ of the basic-level cooperatives. The conference must hold meetings regularly, must respect the opinions of farmers, the board of directors and the supervisory board and must participate in management and supervision. At the same time, the internal management system of basic-level cooperatives must be reformed, including the implementation of the business contract system and the reform of the working personnel system to mobilize the enthusiasm of the workers and increase economic benefits. Versatility in business means to develop versatile purchasing and marketing business with a free hand under the prerequisite of taking the planned economy as the key and market regulation as the auxiliary. Besides guaranteeing that the tasks of the state plans are completed, the products remaining after completion of unified procurement, commissioned procurement and planned procurement and products not produced under state plans do not have to be limited by the present division of business. Many ways can be developed to procure and actively market products for farmers and supply materials for production and for living to satisfy the needs of farmers as much as possible.

3. We should gradually establish supply and marketing cooperatives into comprehensive service centers for organizing and promoting supply and marketing, processing, storage and shipping and technical development in

the rural economy. We should take the supply and marketing cooperative as the foundation to develop many forms of joint agricultural and commercial businesses so that the supply and marketing cooperatives can fully develop their function as the ties to promote joint ventures in the rural economy. The establishment of a comprehensive service center requires a course of gradual formation. By starting out from the actual situation in present production and circulation, the supply and marketing cooperatives must strengthen the various kinds of services before production, during production and after production. The first is to provide market information, promote production, guide production and serve well as the consultant for the development of the production of commercial products. The second is to help farmers develop production in providing seedlings, animal stock, funds, materials and even technology and serve well as the backup and helper. The next is to develop actively the contract system to establish firmly joint agricultural and commercial businesses and various services via contracts so that the farmers are willing to engage in production and business under the guidance of the supply and marketing cooperatives.

We Should Implement Reforms With Few Links and an Open Wholesale System

Within the state-run commercial enterprises, there is also the question of reforming the wholesale system of industrial products. Since the 3d Plenum of the 11th Party Congress, some preliminary reforms were carried out in the realm of wholesale businesses within the state-run commercial enterprises. One was that the form of procurement and marketing, which was basically unified procurement and guaranteed marketing, was gradually changed to the six types of unified procurement and unified marketing (unified rationing), planned procurement, ordered procurement, selective procurement, wholesaling and marketing via agencies and joint operation and joint marketing between industry and commerce. The second was to allow wholesale departments of industrial products to buy in merchandise from neighborhood enterprises, commune and brigade collective enterprises and other places and to relax restrictions on retail shops to procure products from other places. The third was Shanghai's implementation of joint operations and joint marketing of such commercial products as paper, pens, daily chemical products and towels and blankets between industry and commerce. The fourth was that first-level commercial stations supplied some third-level stations elsewhere with wholesale commercial products, and some second- and third-level wholesalers supplied individual certified retailers with merchandise. These preliminary reforms have all served actively to promote production, to link production and marketing closely, to open up channels for circulation and to enrich the market.

At present, wholesalers of industrial products have already emerged with state-operated commercial enterprises taking the lead, and the new situation involves the coexistence of diversified economic systems, diversified methods of operation and diversified channels for circulation. The emergence of a buyer's market is also developing. After the reform of the industrial system, and after the retailers and service businesses implement the business contract system, a reform of wholesaling will also be required. Recently, the Ministry of Commerce decided to reform the wholesale of

industrial products further and implement a wholesale system that has few links and that is open to adaptation to the need for expanding the circulation of commercial products. Shanghai is an important base of light and textile industrial production. Besides a portion of the products for exports, about 75 percent of the task of supplying a part of the products procured by state-operated commercial enterprises for supplying localities throughout the nation is being carried out by first-level commercial stations up to the present time. Units establishing links with other localities now number 3,025. The quantity is large and the scope is broad. Therefore, in the reform of the wholesale system, we must have unified planning and give consideration for all concerned. Through reforms, we should realize the following: We must support and promote the light and textile industries to increase output of products that are suitable for the market. Second, we must allow merchandise to circulate freely and enlarge marketing and sales. Third, we must favor uniform planning and arrangement of markets well, including rationally solving the problems of storing and preparing certain commercial products and correctly developing the regulatory function of "the reservoir." Now the Shanghai commercial departments are exploring the following three aspects in reforming the wholesale system for industrial products:

1. Improving the planning and management system. The state-run wholesale system is the main channel for the circulation of commodities. We must insist on the principle of taking the planned economy as the key and market regulation as the supplement. For planned commodities that greatly affect the nation and the people, we must continue to implement distributive planned management, we must still implement top to bottom and level by level distribution and dispatching or the channels and destination of procured merchandise will not change. For other planned commodities we should implement uniform procurement plans and a method of procuring commodities by each level of wholesale and retail enterprises from many sources and implement a circulation that is open and that has few links within the scope of the plans issued by the state. Commodities of the guiding plans can be procured from many sources by planned links, and they should be directly accounted for. Restrictions on third-category commercial products can be relaxed so that wholesalers and retailers at each level can gradually select and procure products directly from the factory.

2. We should improve the method of operation of wholesaling at each level according to the different characteristics of different commodities. First-level commercial stations at present are engaged mainly in the sale of local commercial products. We must create conditions that gradually allow second-level wholesalers to handle them. We should establish specialized shops combining procurement, wholesaling and retailing to handle commercial products which are very specialized in nature and that have many varieties. For some commercial products, we must develop many forms of joint business and joint marketing between industry and commerce and between commercial enterprises and establish test points for coordinated procurement, supply and wholesaling. We should expand the link between the factory and the wholesalers and links between the factories and the shops. Retail shops

with favorable conditions and with approval can also engage in wholesaling to reduce intermediate links.

3. We should greatly open up and increase the channels for circulation. Now, besides the distributive-type planned commodities, the situation of procuring most commercial products by wholesalers and retailers at each level from many sources is developing. Recently, the first-level stations of the Shanghai textile, knitting products, general merchandise and cultural products held a meeting on supplementary merchandise. Among the delegates who came from various places to Shanghai to procure merchandise, there was a fairly large number of third-level wholesalers and large retailers actively selecting and procuring merchandise. Therefore, in the future, we should not only hold supplementary merchandise meetings on a regular basis, we should also go outside to select some cities and establish sample showrooms to exhibit and market products and make deals simultaneously. To adapt to this situation, Shanghai City should also establish a large industrial products trading center, fully exhibit samples of Shanghai products, attract commercial departments of all localities to come and buy and exert efforts to please the neighbors and attract those far away, gather tens of thousands of merchants to develop further the function of Shanghai as a trade center. The third-level wholesalers can expand the supply of merchandise to the certified merchants of the localities and of the city according to policy and concrete conditions. Shanghai should "open its door" to commodities from other localities and expand exchange. At the same time, Shanghai's commercial products must also be channeled to make it convenient for other localities to procure merchandise so that merchandise can circulate freely. The industrial and commercial departments must closely cooperate and truly strengthen market investigations, studies and forecasts, truly regulate production in time according to market needs, organize circulation, combine more closely the two aspects of production and marketing and continue to adapt to new changes in the market situation. Through reforms, we should open up new situations and promote economic development.

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NATIONAL POLICY AND ISSUES

ECONOMIC ZONES WITH CITIES AS CENTERS VIEWED

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[Article by Sun Xiaoliang [1327 2400 5328], Ji Zhengyong [1153 2973 3057], Shi Huimin [2457 1920 2404], and Yang Yurun [2799 3768 3387]: "An Initial Study of the Way To Form Economic Zones With Cities as the Centers"]

[Text] The state has definitely declared that it will build economic zones with cities as the centers. It is necessary, now, to earnestly study how to bring this about. The following are some initial views mainly from the angle of the machine-building industry.

1. Danger of Division Between Departments and Regions and the Target of the Reforms

At present, in the machine-building industry, the management system of having many departments and many administrative layers has brought about the demarcation between departments and localities, envisioning rather great potential dangers.

Seen horizontally, the approximately 40 departments, including industry, communications, culture and education, and public security, all have their own machine-building forces and all have machine-building plants under their control. Seen vertically, the ministries, provinces, and cities, including counties, communes, and brigades all run a machine-building industry each, and each has their own machine-building plants. For example, Yangzhou, a small city in northern Jiangsu Province, has over 500 machine-building plants with a staff at each of over 200 people, as well as an innumerable number of machine-building plants with a staff at each of below 200 people. Of the over 500 machine-building plants mentioned above, over 200 are directly subordinate to the counties or above, and over 300 are subordinate to the towns and communes. Of the over 200 machine-building plants under the counties and above, 10 are directly subordinate to the ministries (subordinate separately to the following ministries: metallurgy, munitions, forestry, commerce, hydroelectric power, and communications, and state shipping corporations), while 135 are subordinate to the cities (of which 60 are subordinate to the city machine-building bureau and 75 to various other bureaus). If, in a small city like Yangzhou, the subordinate relationships within the machine-building industry are already so complicated and baffling, a much worse situation in the large and medium-size cities can be imagined.

The consequences of a machine-building industry having a management structure which is under the control of many departments and many administrative layers is the forming of a demarcation line between departments and regions, seriously impeding the rational organization of division of work and cooperation, and causing waste and duplication of work. If this state of affairs is not changed, it will be difficult to put economic work on the track of taking the improvement of the economic effects as the nucleus, and will necessarily impede the realization of the strategic targets adopted at the 12th CPC National Congress.

Any reform measure must have a concrete objective determined in advance, otherwise it would be like "shooting an arrow without a target." Against the harm that may be caused by the demarcation and division between departments and regions, the reform of a management system which is under the control of many departments and many administrative layers should aim at the objective of breaking the demarcation line between departments and regions and achieving the rational organization of division of work and cooperation on a society-wide scope so as to improve the economic effects of social production as a whole. Deviating from this objective in looking for a reform measure is not only useless but also harmful.

The problem at present is that advocacy of a "rational division of work and cooperation" is rather abstract. It can hardly be grasped and needs to be expressed concretely and quantitatively.

How can this be done and how can an objective be expressed concretely and quantitatively? In this connection, we can learn from the "principle of integration of minimum costs" expounded by the Swedish economist Bai-di-er E-lin [0130 5530 1422 0192 2651]. In his opinion, the fixed status of an industry is determined by the factor of attaining the maximum savings from the minimum cost, and achieving the minimum cost of products is determined by various innate and new objective conditions which, in turn, have separately generated superior industries and superior products in different localities, thus forming various economic zones with their special characteristics. In spite of the fact that our country has many special features different from the capitalist countries, we still can learn much from the Swedish economist's "principle of integration of minimum costs" concerning the following problems: First, each different economic zone should have different special characteristics, otherwise there would be no need for the exchange of commodities between the economic zones. Striving to be "big and comprehensive" and the balanced development of the various industries within a zone will naturally result in the formation of self-sufficient "natural economic zones" and the inability to achieve the "integration of the minimum costs." Hence, this will deter improvement of the economic effects of social production.

Second, man's subjective wishes cannot change or determine "which economic zone should develop what industries or products." On the contrary, the yardstick should be "integration of the minimum costs" and whether or not the division of work and cooperation are rational should be judged by this objective standard. Third, man's wishes cannot freely determine which products in which economic zones have the minimum production cost and the maximum benefits. Rather, this is determined by the innate and new objective conditions.

In consideration of the above-mentioned points, we may describe the objective of the formation of economic zones with cities as the centers as the following. Following the internal relations of economic activities and based on the standard of integration of the minimum costs, breaking through the demarcation between departments and regions and bringing about a rational division of work and cooperation throughout society in order to achieve the maximum social economic effects. Since it is possible to measure whether or not integration of the minimum costs has been achieved, this objective is not an abstract "fixed-character" objective but a concrete "fixed-quantitative" objective. Whether or not this objective can be reached should determine whether or not a plan or measure should be adopted and should also serve as the standard to assess and measure whether the results are good or bad.

The economic zones formed in pursuit of this objective will embody the following special features:

First, the cities serve as the centers without being subjected to the restrictions of the administrative districts of cities and towns. As for why cities and towns should serve as centers, this is because industrial and commercial enterprises are located mostly in cities and towns, because the latter are communication pivotal points and possess the conditions for forming the integration of minimal costs. As for why they are not subjected to the restrictions of the administrative districts of cities and towns, this is because, whereas certain kinds of economic cooperation enjoy the minimum costs inside administrative districts of cities and towns, certain other kinds of economic cooperation can enjoy the minimum costs only outside administrative districts of cities and towns.

Second, the various economic zones with cities as the centers each possess special characteristics and influence each other. The existence of various kinds of innate and new objective conditions determines that certain products should have one city as the center. Only then can cooperation be made with other cities to achieve the integration of the minimum costs. It also determines that certain other products should have another city as the center and only until then effect cooperation with other cities to achieve the integration of the minimum cost. For example, in the case of hand-operated tractors, Changzhou must be taken as the center in cooperation with Shanghai, Wuxi, and Nanjing to achieve the integration at a minimum cost; but in the case of printing machines, only when Shanghai is selected as the center in cooperation with the cities of Changzhou, Wuxi and Nantong can the integration of minimum costs be achieved.

Third, each and every economic zone with a city as the center should possess special characteristics and be taken as a chess piece in treating the "whole country as one chessboard." Although internally each and every economic zone may be developing in an outstanding manner, its industries and products deemed to be superior in character, this should not be viewed as envisioning a balanced development. However, taken as a whole, and on a nationwide basis, if all the economic zones can bring their talents into full play and make up for each other's shortcomings, the various industrial departments can achieve a balanced development and bring about the maximum economic effects. Without a doubt, this should be the ideal situation to look for in organizing economic zones with cities as the centers.

2. How Do We Solve the Problem of the Demarcation Between Departments and Regions?

Two measures are available for selection: The first is to let the cities and towns take charge of enterprises subordinate to the ministries and provinces and let the cities and towns break open the departmental restrictions and organize division of work and cooperation; the second is to first formulate a plan for a national division of work and cooperation, organize a small number of corporations well which should be on a national, or provincial, or district bases, transfer the enterprises which have not participated in the national, or provincial, or district corporations to lower levels, and let the cities and towns organize the division of work and cooperation. Comparing the two, the latter measure seems to be more suitable.

The method of lowering the enterprises to lower levels for the cities to take charge and letting the cities organize the division of work and cooperation has a superior characteristic principally in that it helps to break the departmental restrictions. But it also has its own partial limitations in that the regional demarcations cannot be broken but may even be intensified. This problem explains why at present cities and towns have an obvious tendency to form separately their own systems. For example, in order to solve the problem of an insufficient number of job orders for plants run by their streets and schools, certain city governments have devoted much time to calling meetings, issuing orders, and setting up their own establishments, purely for the purpose of handling themselves such jobs as purchasing, processing, and so forth, which they used to hand over to outside organs. Some even have gone so far as stop the enterprises from procuring accessories of a superior quality from places designated by departments and provinces, and would rather invest money in setting up new production places or to help their own small plants, which actually should have been liquidated, to improve their products, so that they can produce the required accessories themselves. Some people have illustrated a possible situation as follows: If under conditions that there is no all-round planning of division of work and cooperation for a whole industry or trade, we should proceed to lower the enterprises to the lower levels for the cities and towns to take charge, then very likely a situation like that of the "warring states" in China's history will develop and a national unified market may be carved up into hundreds of self-sufficient natural economic zones. Quite clearly, this runs contrary to our objective of organizing economic zones with cities as the centers.

What is worth noting is that this trend of cities and towns forming systems or setups of their own not only is the result of the ideological fallacy of people but also has deeper and more penetrating internal causes. For this reason, we cannot hope that merely advocating the setting up of the ideology of treating the "whole country as one chessboard" will solve the problem. Rather, it is necessary to penetratingly study the internal causes which lead to this trend and adopt the necessary countermeasures.

The basic cause is due to the government departments directly controlling the enterprises' daily operation activities in the production, supply and marketing spheres. When a city government exercises its powers, objectively it must act within clearly defined regional limits. It cannot exceed its own sphere of control to organize a division of work and cooperation among enterprises in other cities. Yet, objectively speaking, economic activities demand no such clear-cut limits; rather, under varying conditions, the organization of division of work and cooperation among enterprises in different localities, be they near or far away, should be envisaged. In other words, economic zones, unlike administrative districts, do not have clear-cut limits. They conceive a sort of rather obscure limits. On the other hand, the current system requires a city government which should have clear-cut administrative limits to control economic cooperation which should be free from such limits. This is indeed a contradiction. If this contradiction is not removed, it will not be possible to break the limitation barriers and carry out division of work and cooperation on a society-wide scale. According to our past practices, when it was found that putting enterprises under the control of departments would bring about a barrier between the industries and trades, we would promptly transfer the enterprises to the control of the localities, but the outcome was that while the trade barrier was removed a locality barrier was generated. The enterprises would then be returned to the control of the departments as a means to break the locality barrier and to organize division of work and cooperation, but then this reverted again to the original barrier. Thus, a cycle appeared on the scene. It was impossible to break both the locality barrier and the departmental barrier at the same time. Rather, a situation developed in which the two barriers coexisted and there was still a demarcation between the departments and the regions. The emergence of such a situation may be traced to our "going around in circles" in shifting to and fro the subordinate relationship of the enterprises and failing to find a way to remove the contradiction.

The level-by-level contract system in finance and the use of such criteria as output value and profit volume to assess the results of government work have also served to augment the trend of forming separate setups or systems. It may be said that for each and every city government, an increase in the output value and profit volume indicates that it has gained both in fame and in fortune, whereas failure to do so means that it has suffered a loss in both. Unavoidably this promotes the thought that "we should not let 'fertile water' flow onto other people's fields." In the manufacture of products which one city can do well, no cooperation will be sought from outside, irrespective of whether or not when viewed as a whole, seeking outside cooperation would have been more economically rational. As for products which this city cannot produce well, regardless of whether or not it is necessary, ways and means will be devised to enable plants in the city to produce them well and to make the city "self-sufficient" in this regard. Similarly, in the case of products which the city cannot produce, if the products can command high prices and bring good profit, then, despite the fact that the country as a whole has already a surplus capacity of producing such products, the city would still contemplate making investments on new plants to produce the products, thus to increase its output value and profit volume. In reality, evaluating and checking a city government's

work results on the basis of the output value and the profit volume is a side issue derived from the government's control over the production, supply, and marketing functions of the enterprises. Viewed from the causation standpoint, giving a government the power of control over the above-mentioned functions of enterprises must be followed up with checking the work done and to do so requires the fixing of targets. If the volume of output is designated as the target, then, because of the existence of many varieties of products, there would be many targets and the chances of meeting them would not be all alike. Making a comparison is difficult. If the criterion is the quality of the work done, then the target is a more or less abstract one and cannot be grasped readily. It is thus also difficult to make a comparison. For this reason, the criteria used are to check the targets of output value, profit volume, and the growth rate of the output value. Viewed from the standpoint of effect, the city government holds firmly in its grasp of the power of directing and managing in production, supply, and marketing functions of the enterprises. Moreover, following the enforcement of the contract system in finance, governments at various levels hold a definite amount of funds. Therefore, with power and money in their hands, they can do what they like, and if it is their wish not to cooperate with the outside, all that enterprises can do is abide by their wishes. For example, the State Council has designated localities for the manufacture of 10 categories of electric machine goods for daily use, but actually this directive has not been effectively carried out. The reason may be ascribed to the above.

In order to ensure the normal progress of production and to facilitate organization work in production, city governments are also inclined to form systems and setups of their own. For example, it is known that in the production of diesel engines, many provinces have originally formed unified plans of division of work and cooperation within their own provinces. However, in the enforcement of the plans, frequently when supply lags behind demand the locality government would order the plants making the accessory parts to first supply the locality's own plants making the main engines and to meet outside demands only when there are surplus parts. As a result, principal plants in outside localities, failing to obtain the requisite parts, are obliged to operate accessory plants of their own. At the same time, when supply surpasses demand, local governments would order the principal plants to first buy the parts produced by the accessory plants in their own localities and not to buy them from outside. In a word, in both cases, when supply lags behind demand and when supply exceeds demand, preference is first given to the city's own system or setup. Also, it must be pointed out that this problem is likewise derived from the governments having charge of the production, supply, and marketing functions of the enterprises. If this is not the case, then the governments need not act in this way and, indeed, do not have the power to act in this way.

Seen from the three points mentioned above, under the mechanism of a government handling the production, supply, and marketing functions of the enterprises, the formation of its own system or setup is a natural phenomenon. To basically solve this problem, it is first necessary to rely on a national plan on division of work and cooperation and, second, to rely on the development of the exchange of commodities between the enterprises and the development of horizontal relations between them. At the same time, it is necessary to change the level-by-level contract system in finance.

3. How To Bring the Functions of Cities in Organizing Division of Work and Cooperation Into Full Play

A rational organization of division of work and cooperation requires the simultaneous full display of the function of industries and trades and the function of cities and towns. The function of industries and trades is principally to regulate and organize well the division of work and cooperation between the cities and towns; while the function of cities and towns is principally to break the barrier limits between the various departments inside the cities and towns. Not to put the function of industries and trades into full play may result in the cities and towns forming systems or setups of their own, and not to put the function of cities and towns into full play will make it difficult to break the barriers between the departments. Only in banding the two together and, following a unified plan, putting the function of cities and towns of organizing division of work and cooperation into full play will it be possible to form economic zones with cities as the centers which are not subjected to the restrictions of the administrative districts of cities and towns.

In order to clearly display the role of cities and towns, it is necessary to make clear that the function of cities and towns and the duties of city governments related to two different concepts. The function of cities and towns is principally shown in that they are the collection and distribution centers of trade and currency and are also credit and loan centers. Technological exchange centers and cooperation and production centers. Possession of these functions by cities and towns is determined by objective conditions. They have no natural relations with the duty and function of city governments, and the two must not be mixed. For example, to require Zhongqing City to become the center of southwest China's economic activities obviously does not mean that we endow the Zhongqing City government with the duty and function of organizing and directing economic activities in the southwest China region, but means that we put the function of this city of Zhongqing into full play and make it the center of economic activities in the southwest China region.

Actually, if a city wishes to display its function beyond the limits of its own administrative district, it is necessary to place certain restrictions or curtailment on the duties and function of the city government, that is to say, the city government should no longer intervene in the daily operation activities of the enterprises in production, supply, and marketing, otherwise the city will not be able to become the center of economic activities on a large scale. For example, at present, some city governments do not allow the sale in their cities of products from outside localities. They do not allow enterprises of their own cities to cooperate with enterprises of superior quality in other cities. Some city governments have even ordered enterprises of their own cities to retract their cooperation agreements with outside localities, and their purchase orders and processing contracts, in order to give the jobs to enterprises within their own localities. The result of actions of this kind not only cannot promote but rather greatly impede, the display of the function of cities and towns, and make them become centers of the economic activities of their zones.

This being the case, in the process of forming economic zones with cities as the centers, how is it possible to bring the duty and function of cities and towns into full play? In the short run, we should, by means of powerful administrative intervention, break the departmental barrier in the cities and towns and organize a rational division of work and cooperation of a trans-industry and trans-trade nature. In the long run, we should constantly study what superior and inferior qualities a city has, adopt suitable measures to play up strong points and avoid weak points, use our own strong points to replace others' weak points, and allow others to replace our weak points with their strong points. Speaking for the country as a whole, only in this way will it be possible to form economic zones, each with its own special characteristics and each and every one can display its own superiorities to promote the improvement of the economic effects of all social production.

At present, in fully displaying the duties and functions of city governments and organizing a transdepartmental rational division of work and cooperation, special attention should be paid to the following:

First, in organizing division of work and cooperation, we must adopt various forms and methods, such as, first, carrying out, according to plan, division of work in the making of products; second, organizing transdepartmental fixed cooperation in the making of parts; third, concerning jobs such as casting and forging, heat handling, and electroplating, organizing technical cooperation centers; and fourth, setting up production companies or principal plants. Of these four tasks, the first three do not require any change in the subordinate relationship of the enterprises and can also reach the objective of rational division of work and cooperation. They should be fully utilized. We should not take the setting up of production companies or principal plants as the only course of organizing a division of work and cooperation.

Second, it is necessary to organize division of work and cooperation on the basis that currently exists. We should bring the potentials of existing enterprises into full play and should not set up at random new production points. If it is at all necessary to set up new production points, we must act according to a national unified plan, thus avoiding the forming of private or separate systems on the pretext of using cities as the centers.

Third, cooperation relations formed in the past with other cities and towns reflect to a large extent the internal liaison in economic activities and should not be forcefully disrupted. In cases of real irrationality which must be readjusted, approval should first be sought from the relevant departments at higher levels.

Fourth, horizontal cooperation between enterprises within the scope of the city should be freely consummated by the enterprises themselves, subject to the guidance of unified regulations, and should not be completely subjected to "exclusive arrangements by the parents." Selective cooperation between enterprises of this city with enterprises of other cities should be encouraged and should not be subjected to restrictions or bans.

In studying how to break the regional and departmental barrier, and in the process of forming economic zones with cities as the centers, some comrades have pointed out: A city mayor is higher in status than the head of a plant but he cannot exceed his city's administrative limits to organize division of work and cooperation among enterprises subordinate to other cities. The

head of a plant is lower in status than a city major but he is exempt from the limitations of an administrative district and can cooperate with any enterprise. This symbolically denotes the crux of the problem and the way to solve it.

Facts have shown that through developing the exchange of commodities and the horizontal relations between the enterprises, development of trans-regional and transdepartmental cooperation is entirely possible. What is needed is to take advantage of the opportunity offered and at the same time create the conditions for consolidating the development. Concretely speaking, development of the exchange of commodities between the enterprises, and breaking the regional and departmental barriers require the existence of at least two conditions: First, government departments should no longer take sole charge of the daily operation activities of production, supply, and marketing of the enterprises, but should give the enterprises the autonomous power, freely and without regional or departmental restrictions, to select their own partners for cooperation. This is what enterprises describe as "freedom in love with parents' consent." Second, we must achieve the objective of coordination of interests. Relevant departments should be able to reap benefits from the union and cooperation and facilitate their consolidation. This is what the enterprises describe as "banding everybody together with common interests." Possessing these conditions, we can carry out division of work and cooperation by means of the horizontal relations between the enterprises and at the same time break the departmental and regional barriers.

The above examines from various angles the role of enterprises, cities and towns, and industries and trades in the process of forming economic zones with cities as the centers. As for the steps in the work, a definite order must be followed. First, a general plan should be made of the division of work and cooperation among the enterprises. Taking this as the basis, with the exception of plants assigned to the control of national corporations and regional corporations, all other plants should be lowered to the level of cities, the city governments should break through the departmental barrier and organize the division of work and cooperation. At the same time, we should enlarge the autonomous power of the enterprises in production, supply, and marketing, organize the necessary subsidiary and sales companies, and create the necessary conditions for effecting horizontal liaison with other enterprises. Through these various steps and procedures, the end product will be economic zones with cities as the centers which are not subjected to the restrictions of administrative districts, each of which possess its own special characteristics.

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NATIONAL POLICY AND ISSUES

EDITORIAL URGES RAISING ECONOMIC RESULTS, COMPLETING PRODUCTION PLAN

Jinan DAZHONG RIBAO in Chinese 7 Jul 83 p 1

[Editorial: "Strive To Raise Economic Results, Fulfill Production Plan in an All-Round Way"]

[Text] Since the beginning of this year, the industrial and communications front of the whole province has continued to adhere to the policy of readjustment, restructuring, consolidation and improvement, organizing production in accordance with social needs, and has further carried out the consolidation of enterprises and promoted technological advances. Industrial production has maintained a steady growth rate; and economic results have improved. However, looking at the year as a whole, it is a formidable task to fulfill in an all-round way this year's industrial production plan so as to boost economic results to a new high. During the first half of 1983, some economic targets fell short of the requirements in the annual plan. In particular, developments in light industry slackened, tax revenues from industry dropped, the supply of energy and raw and semi-finished materials tightened, and the various factors responsible for a rise in expenditures and a decline in income in enterprises increased. All this has created tremendous difficulties for raising economic results. Consequently, there cannot be the slightest slackening in the organization of industrial production. Measures must be strengthened to ensure the all-round completion of this year's industrial production plan.

To realize the production plan completely, a further rectification of our guiding ideology is necessary so that industrial production can really be put on the track of increasing economic results. At the moment, there still exist in the thinking of certain comrades some muddled ideas that stand in the way of readjusting our guiding ideology. For example, some think "quadrupling the gross value of industrial and agricultural output depends on an increase in output value," thus giving "quadrupling" a one-sided, even erroneous, interpretation. Some hold the notion that "whatever our locality does not have, we'll go all out to produce," without taking into consideration the integrated arrangements of national planning, and regardless of whether the conditions of production exist or not. They blindly plan and develop; consequently, the small-scale competes with the large-scale, and the bad forces out the good, affecting the improvement of the overall economic results of society. Some people are satisfied "as long

as there exists at the moment a market for their products and production targets can be fulfilled." For some, the revival of certain old products is good enough, and product innovation has been ignored. Consequently, the moment market conditions change, enterprises get trapped in a passive position. Other comrades shrink from the multitude of objective difficulties and the scarcity of favorable conditions, wrongly estimating the internal potential of an enterprise. Such thinking must be seriously tackled. On the one hand, we must make leading cadres at all levels realize that there could be no modernization without speed. On the other hand, the kind of growth rate we want is one which, on the premise of increasing economic results, is solid, not exaggerated, and genuinely benefits the people. To achieve this result, we must work hard to increase our product variety, raise product quality, trim production costs and cut down on energy consumption, turning out products which meet social needs and which are good and inexpensive. From production, circulation and consumption, the whole economy can then really be shifted onto the track oriented toward the improvement of economic results.

The key to improving economic results is to persist with the policy of readjusting the national economy and effecting industrial readjustment. All localities and units should start with their actual conditions, exploiting their strengths, sidestepping their weaknesses, and selecting an advantageous position. Under the guidance of macroeconomic [policy], they should bring about the readjustment of the industrial structure, the product mix, the line-up enterprises and the organizational structure in a planned manner. They must insist that production be in line with social needs. In industries whose products are in general demand in the market, particularly light and textile industries, they must practice the "six priorities" in the allocation of raw and semifinished materials, power, funds and transportation. They should organize production as far as possible and facilitate the circulation of average-selling products. They should expand the sale of products to the point that sale can act as a stimulus to production. The production of goods selling poorly must be scaled down. Should circumstances justify the suspension of production or the shifting of the line of production, this should be done. They must not produce blindly, creating new overstocking of products. They must vigorously practice economy in the use of energy and raw and semifinished materials. Through economizing, production and economic results can be improved. They must continue to achieve the task of closing deficits and increasing surpluses, go all out to accomplish the mission of closing the deficits this year, exert themselves to eliminate enterprises which have losses resulting from poor management and create more enterprises and counties which do not incur losses.

To pull off the all-round consolidation of existing enterprises is the most realistic and effective way to improve economic results. Facts show that enterprise consolidation is the basis for all other enterprise work. Be it readjustment, restructuring, or technical progress, none can be divorced from the basis of consolidation. At present, the work of enterprise consolidation must strive for plan implementation and speed up the pace of consolidation. The leading groups of enterprises must continue to be

reorganized and built up in accordance with the criteria of the "four expectations" for the selection of cadres, thus further consolidating and perfecting the management and administration responsibility system inside the enterprises. The consolidation of labor organization must be seriously and satisfactorily tackled in order to solve enterprise overstaffing and to continuously upgrade their management and administration level. Right now, we must particularly insist on high standards and stringent requirements so as to handle well the inspection and check-before-acceptance aspects of consolidation. Enterprises which have been found to be acceptable must strive to work out measures which will create enterprises with the "six goods," and implement them seriously, thereby pushing consolidation work onto a new stage.

Gradually we have come to understand and accept the guiding ideology of relying on scientific and technological progress to improve economic results. We must continue to study the important instructions from the leading comrades of the central authorities regarding our reliance on scientific and technological progress; further raise our understanding; firmly establish the guiding ideology that we must look to scientific and technological progress if we are to raise our economic results and speed up the pace of economic development; actively introduce new technologies; really achieve technological transformation among existing enterprises; devote major efforts to the development of new facilities, new materials, and new products, adopt new technologies and new crafts; raise the level of our production technology in the shortest time possible; and go all out to bring about a major change and improvement in the variety and quality of our products within not too long a time.

12581

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ORGANIZATION STRUCTURE OF SHANGHAI'S INDUSTRIAL ENTERPRISES STUDIED

Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 5, 15 May 83 pp 28-31

[Article by Gong Xuelin [7895 7185 2651] and Chen Jiaqiu [7115 1367 3808]: "Study of the Rationalization of the Organizational Structure of Shanghai's Industrial Enterprises"]

[Text] The 12th Party Congress pointed out that in the future, all economic work must be shifted toward the road centered around the improvement of economic benefits, and realizing the rationalization of the organizational structure of enterprises is an important task in present economic work. We will talk about some preliminary views on how to make readjustments and carry out reforms in the future.

I. The Forms of Organization of Shanghai's Industrial Companies

At present, Shanghai has over 8,000 industrial enterprises (not including industries established by production brigades and factories established by middle schools and elementary schools). Among them, more than 3,300 have the system of ownership by the whole people, more than 4,500 of them have the system of collective ownership and more than 100 are joint enterprises owned by the whole people and the collectives. Among the enterprises with the system of ownership by the whole people, the majority are municipal enterprises except for the more than 140 enterprises directly subordinate to the central government. There are also more than 800 enterprises of the collective ownership system that are managed by the city. The main part of Shanghai's industry consists of the industries of the system of ownership by the whole people and some collective industries under municipal jurisdiction. Basically they have been formed and organized as industrial companies. Facts prove that the last system is superior.

At present, the economic committee system has a total of 85 industrial companies. Besides the special individual companies, they can generally be divided into two types in the organization of production:

(I) Specialized Companies. Now there are more than 70. The workers of each company mostly number between 10,000 and 20,000. There are a few with more than 50,000 workers, and the largest has 150,000 workers. According

to the different types of specialization and cooperation, these companies can be further divided into four kinds:

1. Specialized Product Companies. In the distribution of labor and cooperation in social production, the whole company specializes in the production of one type of product. Companies of this type are the most numerous, such as bicycle manufacturing companies, watch and clock manufacturing companies, clothing manufacturing companies, towel, sheet and blanket manufacturing companies, machine tool manufacturing companies, dye manufacturing companies, medical equipment manufacturing companies, computer manufacturing companies, etc.
2. Specialized Technological Processes Companies. In the distribution of labor and cooperation in social production, the whole company specializes in one type of production process. For example, cotton textile manufacturing companies, bleached textile manufacturing companies and printed and dyed cloth manufacturing companies.
3. Specialized Spare Part Companies. In the distribution of labor and cooperation in social production, the whole company specializes in the production of a certain spare part. For example, bearing manufacturing companies, standard works manufacturing companies, machinery accessory manufacturing companies, electronic component manufacturing companies and semiconductor manufacturing companies.
4. Specialized Industrial Services Companies. In the distribution and cooperation in social production, the whole company specializes in industrial-type services, such as packaging and decorating companies, textile shipping companies, textile raw material companies, power station supply companies, chemical facility building and installation companies.

These specialized companies are also implementing cooperation among specializations between their own factories. The companies that produce assembly line products mainly implement specialization of spare parts and at the same time implement product specialization, specialization of technological processes and specialization of industrial services. For example, the Shanghai Bicycle Manufacturing Company has nine specialized spare part factories, three whole bicycle factories (separately specialized in the production of Yongjiu Brand, Fenghuang Brand and Feida Brand bicycles) and four specialized process factories (including industrial services for their own company). Companies producing non-assembly line products mainly implement product specialization and at the same time implement process specialization and industrial-service specialization. For example, the Shanghai Towel, Blanket and Sheet Manufacturing Company has a towel factory, a sheet and blanket factory, a scarf factory, a woolen rug factory, a silk rug factory, a bedspread factory and a table cloth factory, or a total of 40. All engage in specialized production according to product and variety. There are two bleaching and printing factories engaged in special-process production. There are four machinery repair factories specializing in servicing industrial production for the company. Many specialized companies have also engaged in specialized cooperation with other enterprises not

belonging to the company. For example, the Shanghai Bicycle Manufacturing Company has about a dozen specialized cooperative shops in Jiaoxian specializing in the production of axles and bent bars and similar spare parts.

Organizing production according to the principle of specialized cooperation is convenient for using advanced and highly efficient specialized equipment, the output can be increased much easier, operation can be more skillful, the quality of the product and the labor production rate can be more easily improved and consumption and cost can be more easily lowered. This is the main reason that Shanghai's industry still has a definite superiority in the nation today, where there has been less investment and a relatively fast growth. For example, the Shanghai Bicycle Manufacturing Company produced 4.1 million bicycles in 1981, an increase of 23 times the output at the time of its founding in 1955, or an average annual increase of 12.9 percent. The material labor production rate in 1980 was 513 units per person (in 1979, the average rate of the nation's bicycle industry was 73 units), an increase of nearly 20 times the output of 1955, and the output and profits of 1981 were, respectively, 39 percent and 45 percent of the same profession throughout the nation.

(II) Joint Venture Companies

1. Joint Production Companies. There are three at present, all related to the chemical industry. This is because chemical raw materials, especially petroleum and coal, are most suitable for comprehensive utilization and in-depth processing, and after establishing the joint venture, greater economic benefits can be realized. Besides the Shanghai Petrochemical Plant, which was originally designed as a joint chemical fiber enterprise, the Gaoqiao Petrochemical Company was originally composed of seven factories and one institute, and its products were all procured by the five ministries of the central government. The enterprises were administered by the four bureaus of Shanghai. Although they comprehensively utilized raw and processed materials, supplied raw and processed materials to each other and continued in-depth processing, links between them were poor and there was a lot of waste. For example, before establishing the joint venture company, Gaoqiao Chemical Factory ceased production 42 times and shut down work for 882 hours because of insufficient supplies of petroleum and gas as the raw material provided by the Shanghai Oil Refinery. At the same time, the Shanghai Oil Refinery sold several thousand tons of petroleum and gas to the coal gas company each year for use by residents. After founding the joint venture company, the Shanghai Oil Refinery first supplied petroleum and gas to the Gaoqiao Chemical Plant to extract propylene, which was then sold to the coal gas factory. In this way, the Gaoqiao Chemical Plant could obtain more raw material gas to extract propylene which was then processed into such chemical products as epoxy propane, propylphenol acetone and acrylonitrile. Polyacrylonitrile is the raw material for the Second Chemical Fiber Plant to produce curtains. The problem of insufficient raw materials in the past was also solved. The Wujin Joint Chemical Company was organized by the Shanghai Wujin Chemical Plant, the Shanghai Coking Plant, the Shanghai Electrochemical Plant and the Shanghai Organic Fluorine Materials Research

Institute. In the past, the Shanghai Electrochemical Plant used electrolysis on edible salt to produce caustic soda, and each year it releases 10 million cubic meters of hydrogen gas into the air and at the same time produces more than 70,000 tons of chlorine gas. They must be liquefied and shipped away. This is both dangerous and wasteful. After the joint company was organized, the hydrogen gas originally released into the air and the coal gas for coking by the Shanghai Coking Plant could be provided to the Wujin Chemical Plant to produce 8,000 tons of synthetic ammonia a year. The waste gas from the coking plant was separated and washed to obtain methane, and with the surplus chlorine of the Shanghai Electrochemical Plant, they could be synthesized into carbon monochloride, carbon dichloride, carbon trichloride and many diversified chemical products. The hydrogen gas of the Shanghai Electrochemical Plant, after being liquefied, could be supplied to other plants. Each cubic meter costs 0.8 yuan to process. If it is jointly managed nearby and then shipped via pipelines, each cubic meter would cost only 0.16 yuan for processing. The cases of these two companies show that the economic benefits can be greatly improved by following the principle of economic rationality on the basis of specialization to organize joint production companies nearby.

2. Joint Production and Marketing Companies. During the period of economic readjustment in the 1960's, some products that required special technical services, products that had many varieties while the market needs changed a lot and products that were not easily transported such as phonographic records, Chinese and Western musical instruments, embroideries, furniture, lamps and toys were marketed by the industrial departments themselves. In recent years, joint production and marketing companies have been officially organized, i.e., the first-level commercial stations or related business agencies of foreign trade companies were combined with related specialized industrial companies, such as thread and belt companies, and industries that engaged in foreign trade itself, such as joint companies combining industry and commerce or combining industry and foreign trade and toy and handkerchief companies. After combining industry and foreign trade, many achievements have been realized. But because the products were originally "high-cost and money-losing" products or because foreign markets changed relatively greatly, the results were not fully shown. The result of companies being linked to the combination of industry and commerce was more visible. Originally, commercial warehouses had accumulated inventory, factories did not have sufficient production tasks and there were only two varieties of products in retail stores. After implementing the combination of industry and commerce, the inventory of commercial products in warehouses dropped by 45 percent, and capital turnover quickened from 96.8 days to 38.21 days. The varieties of extra products in retail stores increased to over a dozen. The total production value of the companies in 1981 grew 26.92 percent over 1978 (before combination), and profits increased 37.17 percent.

A comparison between 1981 and 1957, when the organization of the companies began, based on calculations using the stable prices of 1970 shows that the total industrial production value of Shanghai increased more than six times, and the profits and taxes of state-run industries increased more than five times. This is largely related to efforts by the main companies of

Shanghai's industry to organize production according to the principle of cooperation in specialization and the organization of joint ventures according to the requirements of economic rationality on the basis of specialization. In the future course of rationalizing the organizational structure of Shanghai's enterprises, these more rational aspects of Shanghai's industrial companies should be maintained and developed.

II. Several Problems of Shanghai's Industrial Companies and Opinions for Improvement

The rationalization of the organizational structures of enterprises, on the one hand, requires the rational organization of scattered enterprises according to the requirements of large-scale social production. On the other hand, it requires rationally utilizing economic organization and economic methods in administration. The first requirement is different in regions with different levels of productive development and at different stages of development in the same region. When the level of productive development is low, it is more rational to implement product specialization, i.e., factories specialize in producing certain kinds of products. When the level of productive development rises, it requires the implementation of specialized processes, specialized spare parts and the specialization of industrial services. When the level of productive development is higher, it further requires elevating the level of specialized cooperation. It is irrational when the level of specialized cooperation and joint ventures lag behind the requirements of the development of social production, and it is also irrational when they are too much ahead. According to this measure, Shanghai's industrial companies still have the following main problems:

(I) The level of specialized cooperation still does not suit the requirements for the development of production. The name-brand products of Shanghai such as bicycles and sewing machines are in great demand. They need to be rationally developed on the basis of elevating the level of specialized cooperation. But at present, many specialized companies still cannot adapt. This is mainly manifested in the following: Some companies producing assembly-type products have too many varieties of products, most of the factories are whole-machinery factories and there are very few spare part and specialized process factories (the factories of the light-machinery companies manufacturing paper, foodstuffs, printing machinery, mold plastics and many types of light industrial machinery that sell well are mostly "omnipotent" whole-machinery factories). Some companies with singular products have whole-machinery factories producing a large percentage of spare parts (for example, the spare parts produced by whole-machinery factories of bicycle companies, sewing machine companies and clock and watch companies still constitute about two-thirds). Many companies producing non-assembly type and uncomplicated assembly-type products still have factories that produce one type or several types of products, and there is little technological process-type cooperation and other types of cooperation. (For example, the common technical process of rubber refining of the Shanghai Rubber Company only has a specialized production facility in rubber shoe manufacturing but not in rubber tire manufacturing. This situation exists in some companies in light industry, the textile industry

and the handicraft industry.) Some companies are involved in too many professions, and some factories do not have time to make organic links. (For example, the Shanghai Daily Chemicals Company is involved in many professions which manufacture fragrances and essences, cosmetics, soaps, toothpaste, detergents, glue, matches, inks, batteries and shoe polish. The Shanghai Enamel Thermos Bottle Company has a high-pressure container plant producing steel oxygen tanks.) Some common technological processes and industrial services are still scattered and redundant, and there is no citywide technological center and industrial service center. For example, although the city's casting, forging, heat treatment and electroplating professions have been improved during these few years, among the 2,884 production points, only 386, or 13.4 percent, are specialized. The general non-specialized factories have a production efficiency more than one-half lower than that of specialized factories, and the energy consumption is higher by one to four times. Every factory has machinery repair shops, but the tasks are insufficient and the rate of equipment utilization is very low. Specialization, socialization and the establishment of enterprises to serve daily living needs still have to be started.

There are the following main reasons: 1) In the past, the whole-machinery factory was emphasized, it was easier to establish projects and ask for investment and, therefore, the percentage of whole-machinery plants and main-machinery factories increased. 2) The price was irrational. Nobody was willing to produce spare parts for whole machines that had a high profit level. Whole-machinery plants wanted to produce their own spare parts and were unwilling to let somebody else produce the spare parts, which had a high profit margin. Profits from technological processing and profits from production in the rear were the lowest, and specialized factories of companies often gave up internal cooperation and "went outside to make a living." Thus, some factories were willing to "have their own and work for their own convenience." 3) The more specialized cooperation developed, the more redundant taxes were, and that raised the cost. 4) The plant facilities and the yards of factories of many companies reached the point of saturation. It was difficult to ask for land allocation, build facilities or merge some factories to expand internal specialized cooperation, and it was difficult to guarantee expansion of cooperation with outside units in terms of number, quality, time and price. If we want to establish citywide technological centers and industrial service centers, we must first solve the problems of plant facilities and sites and, at the same time, guarantee that the number, specifications, quality, time and price will be beneficial to the users. These are all difficult problems to solve. 5) In the past, the market was neglected, competition was negated, the development of varieties was not emphasized, some small plants were overly combined and thus some products were produced by only one factory throughout the city, while state-run factories had to have a higher-echelon company to supervise them according to custom. Thus, unique factories could be placed only under the administration of certain companies. This caused some companies to manage too many professions, and there was no organic link between some factories.

To elevate the level of specialization of Shanghai's specialized companies rationally, we need to study further the following: 1) We need to determine the goal of struggles and draw up plans for readjustment and reorganization to develop varieties and implement technical reforms according to the direction of the development of Shanghai's industry and to long-range plans, market forecasts and the actual situation of the companies. 2) The leading departments need to implement many methods to readjust and solve the problems of some specialized companies in acquiring necessary supplementary facilities and sites for elevating specialized cooperation according to the requirements of economic readjustment, urban planning and environmental protection when practicing comprehensive balancing. 3) We need to combine the reform of the agencies and the reform of the management system to readjust gradually some companies which are involved in too many professions, some factories which do not have organic links between them and some factories that are too large in scale. 4) We need to implement the methods of using taxes to substitute for profits and improving taxation in a combined way and to use the prices derived by the companies themselves to eliminate hindrances to improving the level of specialized cooperation. 5) We need to organize the forces, implement measures and hasten the establishment of certain technological centers and industrial service centers. 6) We need to implement the necessary policies of encouragement and guide some urban factories in their development in suburban towns. 7) We need to strengthen economic legislation and judicial work and guarantee normal cooperation and joint efforts among different departments, regions and ownership systems.

(II) The union between specialized production, the union between production and circulation and the union between production and scientific research should be further developed. The organization of joint production companies is not only limited to the chemical industry. For example, the thermal efficiency of the fuel oil-fired heating furnace for steel rolling in Shanghai is at the internationally advanced level, but because steel smelting and steel rolling are done in different factories, the total energy consumption per ton of steel is 70 percent higher than the advanced foreign level. If we can think of ways to join steel smelting and steel rolling in one enterprise and implement joint casting and joint rolling, then a lot of energy for reheating could be saved in shipping and steel rolling, and comprehensive energy consumption can be greatly reduced. Also, for example, Shanghai consumes about 1.5 million cubic meters of timber each year, and the direct rate of utilization is 65 percent, lower than the 72 percent in Hangzhou. The comprehensive utilization rate of loose materials is 78 percent, lower than the 80 percent of the national standard and the 90 percent in Hangzhou. It seems that comprehensive utilization can be strengthened by organizing joint production, so that each year, 200,000 cubic meters of timber can be conserved, equivalent to the amount of timber imported and paid for with foreign exchange in 1980. Again, for example, Shanghai's textile, weaving, printing and dyeing jobs are separately done by each specialized company. This provides a lot of benefit to improving the output, quality, technological standard and standard of management. If textile manufacturing, weaving, printing and dyeing can be appropriately joined together according to the needs of developing products and if the

quality standard can be unified around the final product, varieties can be renovated in time, and if we can adapt to the changes in market demand and shorten the time of export and delivery, greater results can be obtained. If this is also appropriately joined with the sewing industry, a massive amount of printed and dyed loose pieces of cloth can be fully utilized to produce ready-to-use cloth for export, and we can hasten the development of the clothing industry. Shanghai's power plants have a lot of pulverized coal ash which is regarded as waste material. The treatment requires definite manpower and materials. But there is a shortage of building materials, and the development of the production of building materials needs a lot of pulverized coal ash. If the technical problems of additives can be solved, and if their union can be organized nearby, we can kill two birds with one stone. But utilizing the original enterprises to organize joint production is limited by the geographic position of each factory, the matching of capabilities, the subordinate relations and the source of investment. These are not easily implemented. This requires detailed investigation, study and scientific proof and the drawing up and setting up of plans for implementation. There must also be authoritative leading agencies to solve various types of major conflicts. At present, Shanghai still lacks these conditions, some preliminary suggestions have not been able to attract the attention of concerned authorities and the joint production companies that have been organized with great effort have presented some new conflicts that are not being solved. These have all hindered the development of the joint production companies.

Last April, joint production that was relatively loose and that did not change the subordinate relations emerged in Shanghai. For example, the Shanghai textile industry of the Shanghai Petrochemical Plant organized a coordinated joint production line to develop new chemical fiber products. Sixty-one units participated. Within only several months, a group of new products was successfully manufactured on a trial basis. Among them, some already approached the standard of brand-name foreign products. Now, the clothing manufacturing company has also asked to join. It seems this type of joint production has little resistance, has fewer conflicts, has relatively visible results and is worth popularizing as a type of joint production.

The joint development of production and circulation is insufficient mainly because problems in understanding, benefits and methodology have not been solved. The detachment of supply, production and marketing was already pointed out several years ago. In recent years, because of the fast changes in the market, requiring products to be suitable for marketing has become an urgent task. But the understanding of joining production and circulation is not consistent. Some comrades believe the production departments must manage marketing and sales, and the union of industry and commerce and the union of industry and trade are the necessary ways to solve the problem of detached production and marketing. Some comrades believe that allowing industry to conduct commercial business, especially "joining" them, eliminates the division of labor in production and circulation and is retrogression and that this will only encourage industry not to engage in what it should be doing. In economic benefits, some comrades

emphasize the point of who gets the commercial profits and the fact that when there is a shortage of commercial products, industry and commerce will compete in marketing and that when there is an accumulation of commercial products, industrial and commercial enterprises will blame each other. In the method of joining, some comrades advocate combining two into one and some comrades advocate a loose joining. In fact, the division of labor in production and circulation and the division of labor by sector are the necessary results of developing commodity production and exchange. Generally, it is favorable to the development of social production. But division of labor by sector is the general trend, and it is not always true for some commercial products (such as commodities that have a very strong character for specialized applications and that have a very high technical requirement). Division of labor within the sector is practiced more, i.e., management of production and management of circulation are divided within an economic organization. The absolute separation of production and circulation is unfavorable to the development of social production and is a shortcoming in the economic management system. The direction of reform should be as follows: 1) Joint industry and commerce, joint industrial and trading companies or other economic bodies of joint production and marketing can be organized for some products to unify production and marketing. 2) The production and circulation sector can be reformed, i.e., industry can manage business and marketing, and commercial enterprises can change their many links, scarce channels and closed-door status. 3) The method of linking production and circulation can be improved. 4) Many forms of loose links between production and circulation can be correspondingly organized. Mainly products that are strongly specialized, that require a high degree of technical services, that have many varieties, that have many changing requirements and that are not convenient for shipment and storage are suitable for production under loosely organized joint ventures. The companies that have "joined" production and circulation in Shanghai can develop further, and they can develop loosely joined production and circulation even more. For example, the paper manufacturing company and the commercial enterprises can implement unified planning, joint marketing and the sharing of profits. The towel and blanket manufacturing company especially can establish joint business groups with concerned commercial enterprises to market products beyond their plans without going through second-level and third-level stations and directly supply the large stores in the city and other places. The textile industry sector and the foreign trade sector have signed 7 contracts and assigned 48 factories (1 of which is a shop) to take foreign trade orders and especially to produce export products. The daily-chemical company and the plastics company have joined the commercial department to hold a special supply conference. The industry provided samples, and the commercial enterprises delivered the products. Resistance to and conflicts because of this type of union are smaller, and the advantages and enthusiasm of both sides can be appropriately combined. Therefore, in general, it has produced better results. Now, there are not too many unions of this type. It requires unifying understanding and a study of the methods that will take into consideration the benefits of both sides. Some enterprises producing small commercial products need not all be organized into industrial companies. To avoid simply adding intermediate

levels and making the companies overly complex within themselves, they can be linked directly to commercial enterprises for marketing.

In joining production and scientific research within Shanghai's industrial companies, 65 companies have already established research institutes at present, and a definite result has been realized. But most of the research institutes are in their initial stage of establishment, their strength is weak, their funds are deficient and now they are still at the level of 1963. Shanghai urgently needs to strengthen the upgrading of products, develop new products, renovate technical processes, renovate raw and processed materials, renovate equipment and implement professional and technical reforms. In the future, industrial companies should strive to increase scientific research funds appropriately and increase the assignment quota of high school graduates. They should also emphasize the following: 1) They should exert efforts to discover, train and utilize rationally the scientific and technical forces within the companies and combine production and scientific research better within the company. Among the 540 achievements in Shanghai awarded the major scientific research achievement award in 1980 and 1981, over half were awarded to factory enterprises. It can be seen that there is a scientific and technical potential that is worth noting within the companies. 2) The link between companies and external scientific research agencies must be strengthened, agreements must be signed, cooperation by division of labor should be practiced and methods to improve economic results and rational consideration of economic benefits for all should be established. At present, scientific research agencies subordinate to the departments of the central government are stronger, have better conditions and greater potential and need to have concerned leading departments take administrative and economic measures to organize them and exert joint efforts. Ideological and political work is also very important.

(III) Progress in making companies into enterprises is not fast. Shanghai's industrial companies were established under conditions in which politics and business were not separated. There are historical reasons for this. As more companies shoulder the tasks of organizing production and managing supply and marketing to varying degrees, the enterprising nature of the companies will increase. In recent years, at test points for the expansion of the autonomy of enterprises, 23 companies and 2 industrial bureaus were allowed to establish enterprising companies. Some companies began representing their subordinate factories, increased economic responsibility and took up more duties in production and business management than in the past. But progress has not been fast, and departments of finance, taxation, credit and loan and statistics should recognize them as enterprising companies.

Making companies into enterprises involves readjustment, reform, reorganization and improvement, and to change administrative companies to enterprising companies, internal and external measures must be taken. Internal measures: 1) The division of existing industrial companies must be appropriately adjusted according to the principle of specialized cooperation, economic rationality and subjective conditions. The lack of organic links

between the internal enterprises of some companies, the overly profuse professions of companies and the overly large scale of companies must be changed so that some enterprises suitable for independent existence should be marked out. Otherwise, this will not be favorable for enterprising companies to shoulder economic responsibility and for meeting the need to improve economic results and strengthen management. 2) Centralized management or scattered management should be differentiated according to the productive characteristics of the companies, and the different responsibilities, authority and steps of implementation should be correspondingly determined so that the company and the factory can avoid arbitrary concentration or arbitrary prohibition of concentration regardless of particular characteristics. 3) We must readjust and strengthen the leading group and the management agency and establish and make sound the economic responsibility system of the companies according to the requirements and the principle of the democratic management of enterprising companies. 4) We must reorganize the leading group and business administration of subordinate factories and improve the company's system of factory management, the method of management and the means of management according to the requirement of developing the enthusiasm at two levels: the company level and the factory level. External measures: 1) We must improve the method of establishing test points for enterprising companies. We must combine efforts with the reform of agencies to assign gradually the business management authority of the supervising bureaus to the companies. At the same time, each comprehensive economic management department must support enterprising companies, appropriately assign authority on the one hand and strengthen supervision and guidance on the other hand. 2) The administrative agencies above the companies should be lowered by one level. A few industrial bureaus can establish enterprising companies on a trial basis, and they should generally be changed to such professional organizations as state-run industrial companies that uniformly manage the same profession, other forms of independent accounting enterprises and collective industrial enterprises. At the same time, the government economic management and coordination agencies should be strengthened.

9296

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NATIONAL POLICY AND ISSUES

EFFECTS OF STRENGTHENING KEY CONSTRUCTION PROJECTS DISCUSSED

Beijing BEIJING RIBAO in Chinese 5 Sep 83 p 3

[Article by Luo Xueyu [5012 1331 0151]: "Will the Strengthening of Key Construction Affect the Harmonious Development of Agriculture, Light Industry and Heavy Industry?"]

[Text] The strengthening of construction involving energy and transportation signifies the necessity to increase investment in the capital construction involving heavy industry. In this way, investment in agriculture and light and textile industries will correspondingly decrease. Thus, some people are worried that the strengthening of key construction will affect the harmonious development of agriculture, light industry and heavy industry. This is understandable. However, the reality will not be the same as what they are worried about.

At present, in the development of the national economy, energy and transportation are the weak links. This in itself is an important manifestation of proportional disharmony and is also an important factor that restricts our country's economic development. Concerned departments have estimated that if we have sufficient energy, the value of our industrial output can be raised by 10 to 30 percent even without increasing new production facilities. In railroad transportation, at present, there are over 10 sections that are frequently "bottlenecked." These sections can only fulfill 40 to 70 percent of the transportation capacity. The passenger trains are generally overcrowded. A large amount of resources such as coal cannot be transported out of the area of production. Every year, due to the inability to transport products out in time, such agricultural products as fruits, meat and eggs have rotted, often incurring a loss of around 1 billion yuan. Thus, we can see that if energy and transport fail to be promoted, the development of other trades, including agriculture and light industry, will be affected. From an overall standpoint, the concentration of funds by the state to promote key construction will only be favorable to the harmonious development of agriculture, light industry and heavy industry and not vice versa.

Although the proportion of investment in capital construction has an important influence on the relationship between agriculture, light industry and heavy industry, yet it is not the only influence.

Whether or not the relationship between agriculture, light industry and heavy industry is a harmonious one is a macroeconomic concept from the standpoint of the entire national economy. The proportional relationship between agriculture, light industry and heavy industry cannot be equated with the proportional relationship in investment in capital construction involving agriculture, light industry and heavy industry. Besides being determined by how much the investment in capital construction is, it is also determined by the policies which the state is presently implementing, as well as by the extent to which the production capacity of the existing agriculture and light and textile industrial enterprises is being brought into play. As regards agriculture, the principles adopted by the party at present are: First, rely on policies; and second, rely on science. The policies have aroused the enthusiasm of hundreds of millions of peasants, and science has enhanced the development in production. The potential in agriculture has been brought into full play. Although the investment in capital construction involving agriculture has not increased much over the past 2 years, the value of agricultural output has increased steadily at a pace of 7.5 percent every year.

In addition to the investment in capital construction, there are other sources of funds for construction involving agriculture and light and textile industries. In agriculture, every year there are support-agriculture funds and loans from the agricultural bank, and these are increasing year by year. The support-agriculture funds for 1983 have increased to 7.75 billion yuan. In order to speed up the development in light and textile industries, the state has implemented the policy of offering preferential treatment. As of 1981, the people's bank has taken out 2 billion yuan as special loans for light and textile industries, which have been used to expand the production capacity of light and textile industrial products and to increase the color, design and variety that are in urgent demand on the market. The newly increased production capacity of some products which uses this type of loans and other funds is much greater than the newly increased capacity through the investment in capital construction. In the Sixth Five-Year Plan, of the newly increased 4.7 million spindles of cotton textiles, 4.4 million spindles are the results of using loans and other funds. Of the newly increased paper-making capacity of 1.06 million tons, 750,000 tons are the results of using loans and other funds. Of the newly increased sugar-manufacturing capacity of 1.88 million tons, 1.38 million tons are the results of using loans and other funds.

The capital construction plans which our country has presently drawn up have only included the enterprises and enterprise units under the system of ownership by all people, and have not included the capital construction undertaken by rural communes and production brigades, urban collectives and individuals. Presently, it is estimated that this unincluded portion of investment in capital construction amounts to over 10 billion yuan each year, of which the construction of small-scale capital construction projects involving agriculture and light and textile industries constitutes a considerably large proportion. Since the Third Plenary Session, the collective enterprises and the individual economy have developed very rapidly. In the 4 years from 1979 to 1982, just the value of industrial output of the urban

enterprises under the system of collective ownership alone has increased 49 percent. The number of urban individual laborers has increased from 150,000 to 1.47 million people. With the further implementation of the system of contracting responsibility in joint production in the rural areas and the further deepening of the reform of the urban economic system of organization, the scale of investment in capital construction involving the collectives and the individuals will still expand. Some "small-scale light industry" and "small-scale textile industry" will develop to a greater extent. This will play a greater role in ensuring the harmonious development in agriculture, light industry and heavy industry.

9335

CS0: 4006/073

NATIONAL POLICY AND ISSUES

STATE COUNCIL ENACTS CITY PLANNING REGULATIONS

OW221228 Beijing XINHUA in English 1604 GMT 20 Jan 84

[Text] Beijing, January 20 (XINHUA)--Environmental improvement, pollution control and protection of historical relics must be incorporated into all city development plans, according to State Council regulations made public today.

The regulations, published in the "ECONOMIC DAILY," say that the aim of city planning is to set goals for urban economic and social development, and decide the direction of the cities' development, their size and lay-out.

The regulations also stipulate that plans should be drawn up in line with long-term goals for the development of China's national economy and social structure, and in the light of the cities' natural and historical conditions.

They urge city planners to properly handle relations between urban and rural areas, and between production and social conditions.

Land must be used rationally in planning municipal construction, the regulations add. Places of great historical interest, revolutionary monuments, relics with cultural, artistic and scientific value and scenic spots should be protected. A number of streets, districts, buildings and structures with distinctive traditional Chinese features will be chosen as protected sites.

Chinese cities with more than half a million people are classified as large. Medium-sized cities have populations of between 200,000 and 500,000 while small cities are inhabited by less than 200,000 people.

According to the regulations, development plans for large cities should rest on the final approval of the State Council. Plans for other cities are to be approved by provincial or municipal governments.

CSO: 4020/062

ECONOMIC PLANNING

DEVELOPMENT STRATEGY FOR NORTHEAST CHINA VIEWED

HK240337 Shanghai SHIJIE JINGJI DAobao in Chinese 9 Jan 84 p 2

["Special Dispatch" by SHIJIE JINGJI DAobao reporter Zhang Feng [1728 7364]:
"The Northeast Economic Zone Explores Its Development Strategy"--first
paragraph is SHIJIE JINGJI DAobao introduction]

[Text] Before the opening of the theoretical symposium on the economic and social development strategy for northeast China, our reporter Zhang Feng respectively called on Guo Feng, first secretary of the Liaoning Provincial CPC Committee, and Quan Shuren, Liaoning Provincial Governor; Qiang Xiaochu, first secretary of the Jilin Provincial CPC Committee; Zhao Xiu, secretary of the provincial CPC committee and governor, and Zhao Nanqi (Korean nationality), secretary of the provincial CPC committee; and Li Lian, secretary of the Heilongjiang Provincial CPC Committee, and Chen Lei, deputy secretary of the provincial CPC committee and Heilongjiang provincial governor, and asked them to talk about some relevant issues. We now summarize the main points of their talks. (The main points of Quan Shuren's talks were carried in Issue No 166 of our paper.)

The theoretical symposium on the economic and social development strategy for northeast China will be held in Shenyang on 10 January. More than 200 people will attend the meeting, including economic theorists and practical workers from Liaoning, Jilin, and Heilongjiang provinces, which form the northeast economic zone, and from the three leagues and one city in the eastern part of the Nei Monggol Autonomous Region. Economists and relevant personages from the capital and other localities will also be invited to the meeting. It will be the first time that such a large-scale academic symposium on development strategy is held in northeast China. It is jointly sponsored by the economic research centers of Liaoning, Jilin, Heilongjiang, and Nei Monggol Autonomous Region and this paper. The symposium is expected to last 8 days.

Liaoning Province: In an Attempt To Make the Old Industrial Base Radiate its Vigor, It Is Necessary to Continue to Emancipate the Mind, to Eliminate Further the "Leftist" Influence and the Fetters of Old Conventions, and to Understand Correctly the New Contradictions Between Carrying out Management According to Different Trades and Professions and Giving Scope to the Role of Key Cities

In 1983, Liaoning Province succeeded in making three breakthroughs. 1) The agricultural economy developed in an all-round way and grain output topped 27 billion jin, surpassing the target set in the Sixth 5-Year Plan. 2) The gross value of industrial production topped 50 billion yuan; light industry and

the industry run by collectives in the urban and rural areas grew by considerable margins; and the development proportion between light and heavy industry is fairly harmonious and is becoming more rational. 3) In the field of financial revenue, the situation characterized by the previous 3 years of fluctuation was reversed and the simultaneous growth of speed and results was basically attained. For this reason, the year 1983 was one in which Liaoning Province achieved an all-round victory on the economic front. Compared with the situation a few years ago, we can say that Liaoning has initially opened up a new situation in economic construction.

Liaoning is the earliest and currently the biggest heavy industrial base in China. By conscientiously solving the existing contradictions in Liaoning's current economic development, we shall be able to make the old industrial base radiate its vigor and make new contributions to the modernization of the country.

1. It is necessary to concentrate forces to solve the contradiction between backward technology and irrational product structure on the one hand and the manufacture of high-grade, precision, and advanced industrial products. The key to the revitalization of Liaoning's old industrial base lies in technological progress and transformation. In Liaoning, there are now some 17,000 enterprises, 400 of which are large enterprises. They are all confronted with an "aging" problem and are also facing the challenge of the world's "new industrial revolution." Therefore, it is necessary to concentrate all forces to carry out technological transformation and to utilize various new scientific technologies in order to arm the enterprises so that the "aging" enterprises can speedily be turned into vigorous and advanced ones. The key to this problem lies in bringing into full play the role of scientific and technical personnel.

2. It is necessary to bring into full play our subjective initiative and, with the support of the state, solve the contradiction between energy shortage and the tapping of production potential. In the field of energy resources, it is necessary to develop vigorously our local resources in Liaoning. We shall attain much better social results from this than from transporting more coal from Shanhaiguan. The nuclear power station should also be developed as speedily as possible. At the same time, vigorous efforts should be made to save electricity. At present, the utilization rate of coal energy is only 28 percent. The situation will be vastly different if it is raised to 50 percent. In the meantime, it is necessary for the state and the collectives to simultaneously develop the various resources. It is even more necessary to develop vigorously small thermal and hydroelectric power plants, marsh gas, wind energy, solar energy, and so on, particularly in medium-sized and small cities, towns, and rural areas.

3. Strenuous efforts should be made to solve the contradiction between backward administration and management and the attainment of better economic results. This can be achieved by readjusting and consolidating enterprises, improving the quality of enterprises, and promoting modern and scientific management methods.

Looking back over the construction process of the heavy industrial base in the past 30 years and more, we have learned a profound lesson, namely, it is necessary to understand correctly, and act in accordance with, the law governing the economic development of heavy industrial bases. As a heavy industrial base,

Liaoning is an organic entity integrating science and technology with production, with heavy industry as its main body, light industry and the collective enterprises as its two wings, agriculture as its base, and the big and medium-sized cities as its support. If we develop heavy industry in isolation, we shall inevitably be in a position to perform a "nude dance." There will be a short supply of food, clothing, and daily necessities, the people will be dissatisfied, and production will fail, in the [words indistinct]. This situation has started to change in the last few years. This does not mean that a province should have a system of its own, but we should proceed from the viewpoint of taking the whole country into account and, on the basis of unified state planning, maintain an appropriate balance in the internal economic development of the heavy industrial base. This is quite essential. The practice over the past few years has proved that adopting such a principle conforms to economic law and is favorable to the situation as a whole.

There are many large and medium-sized cities in Liaoning. Of the 12 cities and prefectures in the province, 10 cities have practiced the system of the city administering counties, which embodies the objective law of cities leading the rural areas, of integrating town with country, and of simultaneously developing the economy and culture in town and country. To this end, it is necessary to bring into play the role of key cities and to form a rational economic network. In stressing the role of key cities, we do not mean that the ownership system of key cities should be practiced in everything. At present, however, it is necessary to understand clearly and solve the new contradiction between carrying out state administration and management according to different trades and professions and bringing into play the role of key cities. This is a question that should be urgently solved in the current structural reform of the economy.

Lastly, it is also necessary to emphasize that in an effort to make the old industrial base radiate its vigor, it is necessary to continue to emancipate the mind, to eliminate further the "leftist" influence and the fetters of old patterns, to work hard for the prosperity of the country, and to be bold in carrying out reform and blazing new trails and opening up a path for our advance.

Jilin Province

Jilin's Sixth 5-Year Plan has been fulfilled in 3 years

	<u>targets for 1984</u>	<u>Amount reached in 1983</u>
Gross value of industrial and agricultural production	23.1 billion yuan	23.6 billion yuan
Gross value of industrial production	16.2 billion yuan	16.4 billion yuan
Gross value of agricultural production	6.9 billion yuan	7.2 billion yuan
National income [guo min shou ru 0948 3046 2392 0354]	10.8 billion yuan	12 billion yuan
Grain output	22 billion jin	27.3 billion jin

In 1983, Jilin overfulfilled the main targets set in the Sixth 5-Year Plan 2 years ahead of schedule. Grain output, in particular, surpassed the original target of 25 billion jin set for 1990. Now, Jilin has become one of the provinces and municipalities in the country with the largest quantity of commodity grain.

It can be said that Jilin has brought about an upswing in the economy in the last few years. In 1981, we always thought of carrying out capital construction projects on a large and extensive scale, with the result that we were poor financially. This was a case of more haste, less speed. Under the guidance of the "eight-character" principle of the CPC Central Committee, we resolutely reversed the guiding ideology on localities running industry, paid close attention to enterprise consolidation and readjustment of product structure, and made special efforts to turn deficits into profits by tapping the existing potential of enterprises. In 1982 and 1983, industrial output value, profits realized, and profits turned over to the state registered a big and steady increase for 2 years running. The total losses incurred by enterprises have dropped considerably, and efforts are being made to eliminate business losses this year. Because the guiding ideology on industrial construction has been reversed, both the speed and result grow simultaneously, with the growth of result being even higher than that of speed. This proves that the path of carrying out economic readjustment and attaching importance to intension, [words indistinct] by the CPC Central Committee, is entirely correct. Jilin's industry still has a huge potential. It is necessary to continue to concentrate our efforts on intension both in range and quality, to tap potentials, to pay close attention to technological progress, and to improve the quality of enterprises.

Like Liaoning and Heilongjiang, Jilin is one of the earliest industrial bases built in the early post-liberation period. Some key enterprises which went into production in the 1950's, are still the backbone in our economic construction today, but they are all confronted with the aging crisis. Proceeding from this actual situation, our primary task today is to carry out technological transformation of these old enterprises, to import appropriately some advanced key equipment, and to arm them with new technology so that they recover their youthful vigor. This is a practice which can get quick and excellent results with little money and which can get twice the result with half the effort.

Viewed from the overall situation of the four modernizations, it is quite necessary for the state to build some new key projects and to exert all its strength to guarantee the completion of these projects. However, when engaging in new key projects, we should take into account the local resources and other conditions and proceed from the economic results in examining the question as a whole. We should not, as in a tug of war, let the party with the greater strength pull the project to its side. The interests of departments and regions at different levels should be subordinated to those of the state as a whole.

Now, there is still an important problem on the economic front, that is, some leading cadres are not good at modern scientific technology and management. We were 30 years old or so in the early post-liberation period but we did not carry out our studies in a planned way at that time. This seemed to be unwise.

However, most comrades knew their own limitations and were willing to listen to the views of experts, including personnel of the old regime who were kept on after liberation. At that time, seeing a picture of prosperity of the socialist new China, the intellectuals had a profound understanding of the comparison between the new and the old societies and they had great initiative in work. For this reason, economic rehabilitation and construction were carried on fairly smoothly. It was somewhat different later when the view that only the laymen could lead the experts was stressed one-sidedly. Some people became arrogant. In fact, they were dabblers who had scanty and even half-baked knowledge of economic construction. They looked down upon and refused to trust the intellectuals and even suppressed the initiative of some intellectuals. In various respects, they took a subjective approach to problems, were opinionated, and gave arbitrary and impractical directions, thus causing very bad consequences. Now, when engaging in the modernization drive, we should not only do a good job in all fields of endeavors and, by improving technology and management, vigorously improve the quality of enterprises, but also look forward to the year 2000 and meet the challenge of the industrial revolution. Therefore, if we fail to change the situation characterized by our scanty knowledge or ignorance of modern scientific technology, it will be difficult for us to become competent in leading modern economic construction.

Heilongjiang: We Should Have a New Understanding of the Development of Natural Resources

The issue now is that we should have a new understanding of the development of natural resources. We should not understand it from the viewpoints of small-scale peasant economy and self-sufficiency, nor should we understand it from our old experiences and habits, still less should we understand it from the remnant "leftist" influence. We should understand it from the requirements of the socialist modernization program and from the trend of the rapid development of science and technology and turn our superiority in natural resources into one of commodities and results.

Last year, Heilongjiang Province attained great achievements in its economic construction. Its grain output and its industrial output value increased considerably over the previous year. However, grain, raw coal, crude oil, and logs still occupy an important position in Heilongjiang's economy. That is to say, the development of natural resources is still limited to the supply of elementary raw materials. Heilongjiang does not have enough processing capacity, still less the capacity to carry out intensive and finished machining, thus restricting the attainment of still better socioeconomic results.

In Heilongjiang, 70 million mu of grasslands are still in the stage of the grass growing and dying of itself. The output of grass is less than one-tenth of the grassland developed and managed with scientific methods abroad. If the scientific development of the grasslands is not coordinated with the development of animal husbandry and the milk product, meat, and leather industries, their economic results will be vastly different.

Heilongjiang has forests with more than 1.5 billion cubic meters of log reserves. At present, we produce 1.5 million cubic meters of logs annually. However, a great many forests have not been developed into modern forest areas managed with scientific methods. The forests in Xiao Hinggan Ling have been felled to such an excessive degree that the ecological balance has been upset. The forests in Da Hinggan Ling, however, have not been opened up and are still in a primeval stage. The local people felled trees, transported logs to other places, and burned them as firewood. The papermaking plants also use logs in making paper pulp and waste the bark and branches. If we succeed in felling and renovating trees in a planned way so that the "mountains are always green for continuous production" and if we simultaneously develop wood processing and comprehensive utilization, the economic results will also be greatly different.

Naturally, it takes a certain period of time to gain a good understanding of the development of Heilongjiang's natural resources. Now, it is necessary to effect a leap in our [word indistinct] following the accelerated pace of construction throughout the country in order to meet the challenge of technological revolution. It is necessary to build Heilongjiang into a base for commodity grain, energy, forestry, textiles and other light industries centering on beet sugar, hemp, wool, and chemical fibers, and heavy industry centering on the machinery and building material industries. For this purpose, it is necessary to apply the new achievements in world science and technology with a free hand, to make technological progress, and to carry out technological transformation. It is necessary to absorb funds from other provinces as well as from foreign countries. More important, we should bring into full play the role of scientific and technical personnel and other intellectuals and recruit competent persons throughout the country by various means in developing the rich natural resources of Heilongjiang.

We are engaged in building socialism with a Chinese style. What is socialism with a Chinese style? We are still exploring this question. However, some comrades still cherish an affection for certain "leftist" practices during the "cultural revolution" and for some outdated experiences unsuitable for the modernization drive and hold that the path taken during the 17 years prior to the "cultural revolution" is one of socialism with Chinese characteristics. This is obviously wrong. It is unfavorable to a reunderstanding of the development of Heilongjiang's natural resources, to socialist modernization, and to the structural reform of the economy. Therefore, a key to this issue is to emancipate the mind further, proceed from reality, and be bold in carrying out reform and blazing new trails. In this way we can open up a new situation, fully develop the rich resources of Heilongjiang, and make new contributions to the whole country.

CSO: 4006/281

ECONOMIC PLANNING

GANSU CPPCC CHAIRMAN HUANG LUOBIN SETS 1984 TASKS

HK241302 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 23 Jan 84

[Text] At the fourth plenary session of the Standing Committee of the Fifth Provincial CPPCC held today, Chairman Huang Luobin delivered a work report on the situation since the first session of the fifth provincial CPPCC. He said: In the new year, it is necessary to make greater efforts to create a new situation in the work of the CPPCC.

In his report, Huang Luobin said: In 1984, the provincial CPPCC must continue to unswervingly implement the spirit of the 2d Plenary Session of the 12th CPC Central Committee and accelerate the pace of creating a new situation in all fields of socialist modernization centered on economic construction.

Concerning the specific tasks, he pointed out in his report: The provincial CPPCC must make contributions to attaining the objective set for the near future, that is, plant trees and grass in Gansu, transform the mountains and rivers, get rid of poverty and become well-off through hard work, and strive to restore the destroyed forests and ecological environment within 3 years and solve the problem of food and clothing within 5 years. It is necessary to carry out a wide range of publicity work. We must, through investigations and studies, work out specific policies and measures on planting trees and grass for different localities and departments according to their own circumstances. In order to popularize scientific planting, it is necessary to organize scientific and technical personnel in agriculture, forestry, and animal husbandry to give the peasants and herdsmen technical guidance.

He also pointed out in his report: At the new year tea party held by the national CPPCC, Chairman Deng Yingchao said that unity between Taiwan and the mainland would lead to stability, while a split between the two would lead to [word indistinct] The CPPCC at various levels of our province must actively carry out publicity work toward Taiwan. We must help the Taiwan compatriots residing in our province to establish and remain in contact with their relatives in Taiwan and kindle their enthusiasm to make new contributions to the great cause of the unification of the motherland.

CSO: 4006/281

AGGREGATE ECONOMIC DATA

QUADRUPLING ANNUAL GROSS VALUE OF INDUSTRIAL, AGRICULTURAL OUTPUT

Jinan DAZHONG RIBAO in Chinese 15 Jul 83 p 1

[Text] In his report to the 4th Provincial Party Congress, Comrade Su Yiran [5685 3015 3544] put forward the goals for our province's struggle for national economic and social development by the end of this century.

1. To quadruple the annual gross value of industrial and agricultural output. By the year 2000, the annual gross value of industrial and agricultural output in the province will reach 210 billion yuan, up from 52.4 billion in 1980, of which the gross value of agricultural output will rise from 19.4 billion yuan to 70 billion yuan, an increase of 260 percent; and the gross value of industrial output will grow by 324 percent from 33 billion yuan to 140 billion. State revenue will increase by an average annual rate of 6 to 7 percent. In the first coming decade every effort will be made to ensure that agricultural and industrial production doubles its annual gross output value.
2. To boost the output of major agricultural and industrial products substantially. Food grain production will reach 70 billion jin by the year 2000, up from 47.68 billion jin in 1980, or 800 jin for every person; cotton, from 10.74 million to 27 million dan; peanuts, from 28.08 million dan to 40 million dan; raw coal, from 42.9 million tons to 85 million tons; and crude oil, from 17.58 million tons to 60 million tons approximately. The gross value of manufactured consumer goods will rise from 16.9 billion yuan to 70 billion. Thus the province will become self-sufficient at a fairly high level in food grain and major nonstaple food items. We will be producing more cotton, oil-bearing, crude oil, coal and manufactured consumer goods than we need, thereby contributing to the nation.
3. To develop export trade fairly considerably. By the year 2000, the gross value of export commodities purchases will make up 10 percent of the gross value of industrial and agricultural output, earning foreign exchange to the tune of 7 billion U.S. dollars, up from 1.76 billion.
4. To boost overall economic results and technological standard to a new high. By the year 2000, the major economic results of the industrial, agricultural and other sectors will catch up with or exceed the level of similar enterprises in Shanghai in the 1980's. In most cases, the production

technologies of key areas in the industrial and communications sectors will match those commonly used in developed countries in the early 1980's, some even approximating the advanced world standards at the time. Basically, agricultural mechanization and rural electrification will have been achieved.

5. To upgrade the material and cultural life of the people to a fairly comfortable level. By the year 2000, with the population in the province kept under 86.3 million, the per capita income will be 1,200 yuan. The per capita amount of consumption for both urban and rural residents will rise from 217 yuan in 1980 to 700 yuan. In both urban and rural areas, there will be fairly considerable improvements in housing, domestic electric consumption, transportation and communications, and ecological and environmental conditions. There will also be a marked improvement in the health of the people. In education, young and middle-aged people will achieve the intermediate level.

Comrade Su Yiran said with the attainment of these goals, the economy and society of our province will flourish in an all-round way and socialist modernization and construction will have taken a big stride ahead. We will be among the leading provinces in the country in terms of national gross income and the output of certain key industrial and agricultural products. As long as we unswervingly adhere to the line, policies and principles of the Party Central Committee, fully rely on the vast creativity of the masses, work hard and be thoroughly invigorated, actively forge ahead, persevere in spite of all difficulties, we will certainly be able to fulfill the goals of our struggle by the end of this century.

12581

CSO: 4006/734

AGGREGATE ECONOMIC DATA

PRC ISSUES 1983 INDUSTRY, TRANSPORT STATISTICS

HK290242 Beijing CHINA DAILY in English 29 Jan 84 p 2

[Report: "Statistics for China's 1983 Annual Industrial Production, Transport"]

[Text] Following are the preliminary figures for China's industrial production and transport in 1983 published by the State Statistical Bureau:

January-December

		percentage changes over Jan-Dec 1982
1. Total Industrial Output		
Value of which:	614.73 billion yuan	10.2
light industry	305.14 billion yuan	8.4
heavy industry	309.59 billion yuan	12.1
2. Output of Major Products		
Bicycles	27,608,400	14.1
Sewing machines	10,877,200	15.4
Wrist watches	34,683,000	4.7
Television sets	6,819,600	9.9
Of which:		
Colour TV sets	519,300	45.1
Radios	19,516,000	13.2
Tape recorders	4,809,700	38.6
Washing machines	3,641,300	43.8
Cameras	944,600	27.3
Electric fans	10,144,900	10.4

Refrigerators for household use	190,700	90.8
Chemical fibres	537,500 tons	4.0
Yarn	3,285,300 tons	-2.0
Cloth	14,864,000,000 metres	-3.2
Of which:		
Chemical fibre cloth	5.13 billion metres	7.0
Silk textiles	975 million metres	6.6
Woolen piece goods	138.73 million metres	9.5
Knitting wool	99,600 tons	7.7
Sugar	3,714,500 tons	9.8
Salt	15,872,000 tons	-3.1
Cigarettes	19,251,000 cases	2.1
Beer	1,602,200 tons	36.6
Machine-made paper and paper-board	6,349,700 tons	7.8
Total energy output	701.8 million tons	5.1
Coal	700,326,000 tons	5.1
Crude oil	105,985,000 tons	3.8
Natural gas	11,933,000,000 cubic metres	0
Electricity	349.27 billion kWh	6.6
Of which:		
Hydroelectricity	85 billion kWh	14.2
Pig iron	37,415,000 tons	5.4
Steel	39,945,000 tons	7.5
Rolled Steel	30,685,500 tons	5.7
Coke (machine made)	34,436,700 tons	4.0
Sulphuric acid	8,648,700 tons	5.8
Soda ash	1,792,000 tons	3.3
Caustic soda	2,127,400 tons	2.6
Chemical fertilizer	14,030,600 tons	9.8
Chemical insecticides	336,800 tons	-26.3
Chemical pharma-ceuticals	51,400 tons	21.8
Timber	46.85 million cubic metres	-7.1

Cement	106,439,000 tons	11.8
Plate glass	40,784,200 standard cases	15.0
Power generating equipment	2,728,200 kilowatts	65.8
Machine tools	118,200	18.4
Motor vehicles	239,000	21.8
Tractors	37,000	-8.2
Walking tractors	477,600	60.1
Locomotives	589	21.2
3. Transport		
Railway freight volume	1,161,000,000 tons	4.5
Waterway freight by ships under Ministry of Communications	155 million tons	3.6

CSO: 4020/062

AGGREGATE ECONOMIC DATA

BRIEFS

JIANGSU REVENUE INCREASE--By the end of October, Jiangsu Province's revenue had reached 6.28 billion yuan, 547 million yuan more than in the corresponding period of last year. The province's industrial output value increased 12.9 percent, and its revenue increased 9.7 percent. The fact that the two increases are so close is a very promising change. Since the third quarter of this year, the economic results of industrial enterprises in the province have increased steadily. By October the province's revenue had surpassed the increase of its industrial output value by 2 percent, creating a new situation. By the end of October, the province had reduced its money-losing enterprises from 19.8 percent in the corresponding period of last year to 9 percent and had reduced its deficits by 22 million yuan. [By Wang Youlin 3769 0645 265] [Text] [Beijing JINGJI RIBAO in Chinese 14 Nov 83 p 1] 12302

ANHUI REVENUE INCREASE--In October Anhui Province's revenue hit an all-time high, reaching 256 million yuan. From January to May, Anhui's revenue declined 7.1 percent compared to last year's corresponding period. This change means that leaders at all levels should pay attention to revenue work, because it makes a great difference. Anhui's revenue situation was not good in the first 5 months. Since May, there have been several heavy rainstorms, causing serious flood damage. Certain localities suspended production, and farms suffered crop losses. If resolute measures had not been adopted, the annual revenue task would not have been fulfilled. In view of this, the provincial government called two telephone conferences and issued emergency circulars urging leading comrades at all levels to personally attend to this work and reverse the passive situation. The government also organized more than 1,000 comrades headed by office directors and bureau and section chiefs to inspect and help grassroots units at enterprises and establishments in all localities to improve economic results and fulfill revenue plans. Following these efforts, the province's monthly revenue has been higher than the corresponding period last year since June. From January to October, the province accumulated 1,878,000,000 yuan in revenue, fulfilling 84.5 percent of the annual target, 75.5 million yuan more than the corresponding period of last year. The government again recently urged leaders at all levels to guard against listlessness during the present peak period for revenue work, continue to grasp the work and strive to overfulfill the annual revenue task. [By Yang Qiguang 299 0366 1684] [Text] [Beijing JINGJI RIBAO in Chinese 11 Nov 83 p 1] 12302

TIANJIN INDUSTRIAL PRODUCTION--Tianjin Municipality prefulfilled the 1983 industrial production and financial revenue plans by 9 and 14 days respectively. As of 28 December, this municipality's gross industrial output value reached some 22.6 billion yuan, up 7 percent over the corresponding 1982 period. As compared with the previous year, the per-capita productivity increased by 5.68 percent; the energy consumption for every 10,000 yuan worth of products dropped by 3.38 percent; and the production cost of comparable products dropped by 0.28 percent. Some 1,542 varieties of new products were researched, up 32 percent, over 1982, and 1,004 new products were put into production, up 56 percent. By 17 December, the financial revenue of Tianjin Municipality came to 3.97 billion yuan. [Excerpt] [SK010125 Tianjin TIANJIN RIBAO in Chinese 30 Dec 83 p 1 SK]

HAINAN INDUSTRIAL PRODUCTION--Hainan District's gross industrial output value in 1983 was 822 million yuan, an increase of 9.31 percent over 1982. The district fulfilled or overfulfilled its 1983 quotas for the production of 15 products included in the state plan, such as iron ore, raw coal, electricity, hand-held tractors, cement, sugar, cotton cloth, crude salt, and soaps. Output of sugar increased by 60.54 percent, output of hand-held tractors increased by 77.44 percent and output of crude salt increased by 10 percent. The number of local state-run enterprises incurring losses was 15 less than in 1982. The number of enterprises making profits was 10 more than in 1982. The total amount of profits and taxes of state-run industrial enterprises was 37.4 percent more than in 1982. The value of output of sugar in the district in 1983 increased by some 41.44 million yuan. [Summary] [Haikou Hainan Island Service in Mandarin 0330 GMT 19 Jan 84 HK]

JILIN INDUSTRIAL OUTPUT VALUE--In 1983, Jilin Province achieved 16.43 billion yuan of industrial output value, an increase of 14.1 percent over 1982. Local industrial enterprises whose production is under the state unified budget handed over 422.33 million yuan of profits to the state, overfulfilling the state plan 2 months ahead of schedule. [Summary] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 22 Jan 84 SK]

CSO: 4006/281

ECONOMIC MANAGEMENT

FINANCIAL ANALYSIS OF COMMERCIAL ENTERPRISES DISCUSSED

Beijing SHANGYE KUAIJI [BUSINESS ACCOUNTING] in Chinese No 6, 10 Jun 83
pp 35-36

[Article by Accounting Section, Zhejiang Province Commerce Bureau: "How We Do Financial Analysis"]

[Text] Financial analysis is an effective technique which makes full use of such finance and accounting techniques as feedback, oversight, forecasting and participation in policymaking. It is particularly important in our adaptation to the new situation, in the study of new circumstances, in the solution of new problems, and in the revamping of business management. In the past few years, as Zhejiang's commercial system has conducted financial analyses, many enterprises and individuals have written detailed, penetrating, clearly formulated and well-conceived analytical materials which have had an effect on the guidance and improvement of enterprise economic management and on the improvement of economic results.

I. Since 1981, we have consistently carried out a monthly survey and analysis of the financial situation in the province's entire commercial system and have provided timely financial data to the leadership at various levels and to the relevant departments. Below, we describe our main techniques and findings.

1. Regular and timely analyses. The time element is extremely strong in financial analysis, and timeliness is the most important factor in getting full use from it; otherwise, the information is out of date and cannot have the requisite effect. The key to timeliness is effective, advanced preparations. We start by organizing past financial data on the province's commercial system. In addition, we use available financial files to organize financial data by individual subsystems and individual counties and cities. This enables us to identify the best previous values of several important financial indicators such as commodity management, expenditures, funds utilization and management results and to discover regional differences in them. This lays the groundwork for a comparison of the progressive units' performance with the best previous figures and for a comparative analysis. Second, before the end of each month we organize the actual financial figures for the same period in the previous year so that when the new results come out for the reporting period in question, we can carry out

the financial analysis quickly. Third, we collect financial data from a variety of sources so that we can quickly become aware of financial changes in the reporting period in question. We constantly find out about new circumstances in operations management and new factors affecting the financial situation from the operational, statistical, storage and transport, pricing and other functional departments and carry out grassroots investigations in connection with our main work for the period in order to obtain standard data. We use various types of conversations, small conferences and the like at finance meetings to collect information, and exchange meetings for discussing financial circumstances are always included in the quarterly finance meetings for filling out reports and mutual auditing. In addition, based on the circumstances in a given period and specific management needs, we state topics and issue requirements in advance and ask comrades from various representative enterprises or geographical areas to report on their financial circumstances for the purpose of joint discussion and analysis. In addition, by establishing financial liaison stations and the like we are able to find out about and gain an understanding of basic-level operational and financial circumstances in a timely fashion.

In collecting financial data, in addition to focusing on the abundance and correctness of data and a clear analysis of problems, we also strive to lessen the load on basic-level enterprises. We conduct regular surveys and draw up comprehensive statistics on major problems, conduct type surveys for extraordinary problems and carry out individual surveys on specialized problems. For example, the amount of overstocks and slow-moving goods has recently increased, the tasks of marketing or disposing of them have become burdensome, abnormal accounting for the use of funds has increased and the problem of long periods needed for the recovery of goods and funds has become a prominent one. In accordance with the need to strengthen management and in keeping with the availability of data, to the monthly telegraphic report on the main financial indicators we append data on the amount of overstocked and slow-moving goods disposed of and the number of accounts for funds use closed out as well as provide comprehensive statistics and analysis on these subjects. In dealing with certain results and experiences in increasing income, cutting expenditures and improving economic management, we take the approach of finding out about key cases and conducting type surveys. To deal with such special problems as the management of vegetables and minor commodities, we identify particular topics, propose requirements and use individual contacts.

Owing to our focus on advance preparations and data collection, for the past 3 years we have been able to issue our financial analysis report within a week after the monthly telegraphic financial report; for the annual analysis, we use the January-November data to forecast the December figures and work up a draft, so that as soon as the figures from the telegraphic reports on the main financial indicators for the year are collected, we can write our annual analytical report without waiting for the full set of reporting forms to be completed.

2. Performance of special-topic analysis. Special-topic analyses focus on some particular branch, the problems of some weak link or new changes brought about by some major policy or economic measure. They involve timely surveys and analysis and have no particular limitations regarding time or scope but are flexible, timely and focused and help to resolve problems quickly and improve work. At the beginning of last year [1982] we made an on-the-spot survey of the breakdown of inventories of manufactured goods in Jinhua. Our on-the-spot surveys and detailed analyses of typical cases enabled us to make suggestions for improving the inventory structure, which involved ways of motivating enterprise employees, distributing the burdens of price adjustments and cuts more rationally and promoting the readjustment of the industrial departments' product mixes. We were able to provide reliable data for identifying and assigning priorities to inventories in the province's commercial system. When the bank loan interest rate was increased, the interest burden of the commercial enterprises became heavier, making operations more difficult. We carried out a special analysis of this situation, provided feedback to the relevant departments and drew their attention to the problem. As a result of the new situation caused by market changes, not only were there extensive losses of food products, vegetables and medicines, but some units lost money even in the branches handling daily-use manufactured goods. We carried out special analyses of these problems. In addition, we have run commentaries on various situations in the regularly published financial analysis pamphlets, focusing on problems which are widespread in basic-level enterprises.

II. In addition to striving to perform our own bureau's financial analysis effectively, we also make a special effort to organize and promote financial analysis for the entire system. We have achieved considerable improvement in this area.

1. Drafting procedural documents and organizing competition. With reference to the procedural guides on competitions regarding accounting forms and financial analysis, drawn up by the Ministry of Commerce, we drafted a procedural guide on competitions in the accounting forms and financial analysis for the Zhejiang province commercial bureau system. The criteria for financial analysis are: timely presentation of reports, clear identification of the main points, correctness of content and clear analysis of circumstances and problems. We require that the prefecture and city commercial offices not only effectively organize, carry out, oversee and guide the regular financial analysis work of their subordinate county and city commercial offices, but that they also use surveys and investigations to provide at least one specialized analysis or aggregate analysis per quarter, while the county and city commercial offices and the province-level corporations must present monthly, quarterly and annual aggregate analyses. In keeping with the original organization of the economic analysis competition conditions, we prescribed that evaluation and scoring be based on quality, with a primary focus on timeliness. The competition guidelines have been in force for a year, and many counties and cities have provided monthly feedback, quarterly analyses and suggestions and annual comprehensive and aggregate analyses, in addition to special analyses of outstanding problems. Analysis has been done particularly well in the counties and cities of

Ningbo, Jinhua and Shaoxing Prefectures. In 1982, the prefecture, city and county commercial offices, the province-level companies and the second-level stations submitted a total of 710 financial analysis reports. Some comrades describe these analyses not only as synopses of accounting reports but also as diagnoses of operations and suggestions for improvement of work, and state that they have had a positive effect.

2. Timely issuance of economic indicators and organization of comparative analysis. Comparison is the basic method of analysis, which makes it possible to discover differences, identify contradictions, analyze the causes and solve the problems. To help units and enterprises at all levels to learn from pacesetters, to find uneven development, to identify unused potential and to press forward, we have published comparisons of the main financial indicators of county-, city- and province-level companies for the last 2 or 3 years and have expanded the focus of these analyses to county- and city-level special companies in order to enable the basic-level enterprises to find pacesetting units of the same enterprise type in their particular branches and to carry out comparative analyses. We went on to draft provisional guidelines for scoring and evaluating economic performance in the Zhejiang Province commercial system. We published the economic indicators for the first half of 1982 and for the whole year along with the scoring, evaluation and identification of the pacesetters, which constituted a first step toward rewarding top performers, giving a stimulus to laggards, and promoting emulation, imitation, mutual assistance and competition. We also prevailed upon the local commercial departments to pay more attention to analysis, to engage in analysis and to do it well.

3. Exchange of analytical experience and promotion of analytical quality. The cognizant departments can arrange the enterprises' financial analysis, carry out surveys, encourage them and exchange experience on their work. This is an important factor in the sustained effective performance of this work and the improvement of analytical quality. When we discover that some basic-level unit has a good analytical technique or representative analytical data, we immediately recognize and encourage it and organize various types of experience exchange. In our bureau's financial analysis data we have focused on providing increased feedback on specific topics and have selected and reprinted typical examples from financial analyses from various localities, giving timely feedback to the relevant departments. For example, in its third-quarter financial analysis, the Hangzhou Textile Products Station analyzed the financial situation in the first through third quarters and forecast the situation in the fourth quarter. We reprinted this forecast and advocated this good analytical approach. The Lin'an County General Merchandise Company's operations and financial sections jointly conducted an accounting and analysis of minor commodities which promoted improvement of management. The Jinyun County commercial office regularly analyzes the status of the closing out of funds accounts, which has strengthened the management of this type of work. We print and issue information on experience of this type, providing an introduction to such experiences. In addition, we include an effective financial analysis of the evaluation criteria for identifying top performers in financial and accounting work. The specific evaluation criteria include the number of analyses and their

quality and effectiveness. For example, the Lin'an County commercial office has not only produced effective monthly printed financial analyses but has also held monthly management analysis meetings and has recognized achievement, sought out differences and made suggestions for improvement, which has had a favorable effect in improving economic results. It has consistently been recommended as one of the top units in finance and accounting in this province. The Yushui Prefecture commercial office carried out an analysis of circulating funds and discovered that there were differences among enterprises in funds commitment levels: some were under-committed and some overcommitted. It joined with relevant financial organs to redistribute funds, which resulted in their rational utilization. This office also received a high rating in the annual financial and accounting evaluations.

4. Vigorous, effective training of financial and accounting personnel in analytical functions. Comrades involved in analysis must constantly keep aware of the actual situation and master large amounts of data, but they must also have an adequate amount of specialized knowledge and have mastered specialized analytical methods. In recent years we have paid particular attention to training financial and accounting personnel in financial analysis. Two training classes for assistant accountants held by the provincial bureau and the training classes held by the prefectures, city and counties treated financial analysis as a major subject. They emphasized the guiding ideas in financial analysis, its organization and the scientific methods of financial analysis. The comrades who underwent the training improved their ability to perform financial analysis to various degrees, more comrades became capable of performing specialized analysis and forecasting analysis and the analytical quality was improved.

8480

CSO: 4006/669

HOW TO IMPROVE ECONOMIC RESULTS IN LIGHT INDUSTRY

Beijing JINGJI RIBAO in Chinese 3 Nov 83 p 3

[Article by Wang Yongzhen [3769 3057 2823]: "How To Improve Economic Results in Light Industry"]

[Text] A prominent question in production in light industry in the whole country at present is poor economic results, reduced profits, great losses, increased losses and slow turnover in capital. There are several factors affecting the economic results of enterprises:

First, there is a general shortage of fuel and raw materials. There is also a shortage of planned products. The goods ordered may not be delivered on time. The raw materials may be high-priced and manufacturers may be forced to use unsuitable substitutes. For example, a light industry system in Liaoning Province only has 70 percent of the required electricity. Two papermaking factories in Guangdong have ceased production because of a shortage of coal. The total output between January and April has dropped 3.21 million yuan as compared to the output in the corresponding period last year.

Next, there is an increase in the proposed and negotiated prices of raw materials and fuel in light industries. The increased prices of principal material used in No 1 Light Industry Plant in Hubei have increased expenses more than 100 million yuan, which accounted for 8 percent of production costs. At the same time, enterprises shoulder various social obligations and expenses such as security, afforestation, environmental protection, road repair and subsidies to moviemaking. There is an increase in expenses in various items, causing a transfer of profits.

Third, commercial enterprises want a price reduction in light industrial products. They want to retain profits so as to attain economic results. Owing to confusion in management, some enterprises only grasp resources but not auditing or accounting. They only go after the quantity of output and do not carry out market investigation. Consequently, there is an increase in consumption but a decline in quality and there are serious problems in product marketability and overstock of products.

Problems in these several aspects generally exist to a greater or lesser extent in light industrial enterprises. Some enterprises are seeking solutions from the several aspects below for survival and development.

Production Costs--The costs of raw materials in light industries account for more than 70 percent of total production costs. Reduction in production costs is a key factor in improving economic results in light industries. Reduction in production costs is to cut down material consumption first of all. Hefei municipality has grasped the amount of unit material consumption. The amount is examined and checked every month and the results are compared every 6 months. The advanced units are commended and the backward ones are penalized. As a result, the unit consumption of coal and charcoal in the whole municipality was reduced 3.02 tons as compared to the same period last year. In the reduction of production costs, it is also necessary to rectify the inventory stock and eliminate the misappropriation of funds. No 1 Light Industry Plant in Shenyang City requires the various subsidiary enterprises to implement a better material control system--with planned purchase, management of funds, consumption limit and a fixed amount of reserves and advocates the attainment of results in the five sectors of reducing unit consumption, reducing production costs, reducing the capital required, improving transportation efficiency and retaining scraps that can be utilized.

The use of new material and the development of new products are also effective measures for lowering production costs. In the past, the supply of cotton-base paper used in the production of vulcanized fiber paper in the Mudanjiang Vulcanized Paper Plant could not meet the demand. They have changed their technology and components of raw materials and are manufacturing kraft paper. The production cost per ton has dropped 350 yuan.

Raw Material: Most of the raw material in light industrial products comes from agricultural byproducts. The production, purchase and supply of subsidiary farm products directly affect economic results in production in light industry. From January to May this year, the output of cans in Guangxi was reduced more than 15,000 tons owing to a shortage in raw material. Yantai Prefecture has built up a base of raw material to resolve the problem of raw material in light industries and has attained better economic results. They have implemented the policy of taking planned economy as the main line, which is supplemented by market regulation. Factories, communes and plants jointly set the orientation, fix the key points and the amount and sign the contracts. In terms of management, middle links are reduced and the production areas are organized to process semifinished products. The workers and peasants jointly run the plants and share the profits. The production points take care of packaging and transportation. They have increased income in production areas and given the profits to the farmers to support production. They also help the bases of raw material to resolve the problems of funds and material.

Market: Without an understanding of the demands of society, consumer habits and regional differences and without knowledge of the productive capacity,

the technological level and the quantity and quality of products in the same trade, enterprises will lack the power to adapt. They then cannot eliminate their shortcomings, develop their strengths, bring out the favorable situation, rapidly regulate the product structure, change constantly or attain better economic results. Heilongjiang Battery Plant sent out personnel to be stationed at Level 2 commercial stations in four municipalities in the province and go deeply into various Level 3 shops to understand market demand, analyze market conditions and put forth useful suggestions to the plant. On two occasions, the plant has ceased production and changed the production line, reformed the product mix, improved the quality of the product and produced marketable goods in accordance with market conditions. They later tried out the method of mobile piece contract work with the station personnel. The scope of activity has been extended to include 189 Level 3 stations in the whole province. They have not only sold all the batteries produced in the whole year, but have also signed contracts for more than 60 million batteries in 1983. Limin Food Product Co in Tianjin City has visited more than 20 municipalities in the province to understand changes in people's livelihood and cultural preferences in the city and the countryside, the customs and habits and religious beliefs of minority nationalities and the weather conditions in various localities. Based on these conditions, they have studied and produced 72 product varieties in half a year.

At present, under the condition of reduced purchases in commercial departments, light industry departments and enterprises must increase their sales and actively clear the channels of marketing the goods before production can be smoothly carried out.

Current market changes show that some products being produced by light industry and military workers indicate that supply exceeds demand. Military workers should bring into play their technological strengths and change the orientation of manufacturing civilian products so as to serve the production of light industrial production equipment, help light industries conduct scientific research and tackle problems, resolve problems in weak production links, such as the manufacture from models, testing of equipment and import equipment for reproduction so as to give impetus to an improvement in light industry and renovation of products.

9954

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ECONOMIC MANAGEMENT

INSPECTION OF SICHUAN ENTERPRISES ON IMPLEMENTING RULES

HK241126 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 23 Jan 84

[Text] Today's SICHUAN CONGREN BAO reported the following news: In accordance with the requirements of relevant documents of the provincial CPC committee and the provincial government, the organizational department of the provincial CPC committee, the political department of the provincial planned economy committee, the provincial federation of trade unions, the office of science and industry of the provincial national defense committee, and the provincial urban and rural construction and environmental protection department jointly made the following decision: A comprehensive inspection will be made on the enterprises throughout the province on their implementation of the provisional regulations for the workers congresses of state industrial enterprises, the provisional regulations for work of factory directors in state enterprises, and the provisional regulations for the work of grassroot organizations of the CPC in industrial enterprises. The focal point of the inspection is to see whether or not the enterprises have appropriately strengthened the leading bodies of the party committees, administrative offices, and trade unions, whether or not the appraisal of enterprise leading cadres is carried out democratically by the workers congress, whether or not the working system of party committees, administrative offices, and workers congresses is appropriately established and perfected, and whether or not the system of democratically electing factory directors and managers is practiced.

The basic level organizations are required to first make self-inspection and all localities, departments, and bureaus are required to carry out sample inspections on their subordinate units. The organizational department of the provincial CPC committee, the political department of the provincial planned economy committee, and the provincial federation of trade unions will organize teams to carry out sample inspections in some localities, and through the inspections, will try to get an intimate understanding of the situation, find out the shortcomings, exchange experience, adopt positive measures, and further implement the three regulations so as to perfect the leadership system of enterprises.

CSO: 4006/281

BRIEFS

TIANJIN ENTERPRISE LEADERS READJUSTED--Most of the leading bodies of the enterprises, companies, and bureaus on Tianjin's industrial and communications front had been readjusted by mid-December. The average age of the members of the leading bodies at the bureau level has declined from 58.1 to 53.8, those with a secondary vocational school level or higher have increased from 43.9 to 65.2 percent, and professional technical cadres have amounted to 33.8 percent as against 17.6 percent in the past. The average age of company leaders has declined from 54.2 to 49.6, those with a secondary vocational school level or higher have increased from 31.1 percent to 54 percent, and professional technical cadres have amounted to 26 percent as against 14 percent in the past. The average age of plant and enterprise leaders has declined from 50.8 to 47, those with a secondary vocational school level or higher increased from 36.7 percent to 55.6 percent, and professional technical cadres have amounted to 31.6 percent as against 13.6 percent in the past. [Excerpts] [Tianjin TIANJIN RIBAO in Chinese 20 Dec 83 p 1 SK]

JILIN ENDING-DEFICIT ACHIEVEMENTS--The financial and trade enterprises across Jilin Province have scored marked achievements in switching losses to profits. Enterprises in commerce, supply, marketing, and grain overfulfilled their 1983 plan, set forth by the provincial people's government for ending deficits, by 33.15 million yuan and by 38.5 percent. In 1983, the commercial enterprises across the province earned 46.07 million yuan of net profits. As compared with the 1982 figure, they scored an increase of 44.26 million yuan in ending losses and increasing profits; and the number of money-losing commercial enterprises declined from 633 in 1982 to 224 in 1983 and their deficit rate, from 29.5 percent in 1982 to 10.4 percent in 1983. [Excerpts] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 19 Jan 84 SK]

SHAANXI COOPERATIVE PERSONNEL SYSTEM--The personnel system of the province's supply and marketing cooperatives will be reformed to a certain radical extent. In the future, cadres of a supply and marketing cooperative will be elected by its members instead of appointed by the higher authorities. Meanwhile, its workers will be employed by signing contracts, those who show great initiative in work can renew their contract and become permanent workers, and those who are not active in work may be dismissed. This new regulation was proclaimed in a circular recently issued jointly by the provincial department of labor and personnel affairs and the provincial commerce department. The circular dictates that all leading cadres who are elected by members of supply and marketing cooperatives are to be given

rewards in accordance with specific conditions in different places. Meanwhile, those who are elected as directors and deputy directors of the supply and marketing cooperatives at the basic level are to be given an allowance in kind with a value of 10 and 5 yuan, respectively, each month. According to the circular, cadres of supply and marketing cooperatives must be ready to work both at the top or at the grassroots and their workers must be ready to be employed or dismissed. This will help build supply and marketing cooperatives into collectively-run commercial units for the peasants and promote the development of a commodity economy in the rural areas. [Text] [HK230818 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 23 Jan 84]

CSO: 4006/281

FINANCE AND BANKING

HENAN CHEMICAL COMPANIES FINED FOR ANOMALIES

HK210357 Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 17 Jan 84

[Summary] "Recently, the provincial financial and tax inspection office sent two inspection teams to investigate the chemical industry equipment spare parts company, the fertilizer supply and marketing company, the chemical industry company, and the materials center and its Xinyang coal allocation and transport branch, all of which are under the administration of the provincial petrochemical industry department. The inspection teams discovered cases of violation of financial discipline, such as unauthorized retention of profits, the arbitrary overstating of expenditure, the unauthorized retention of funds that should have been handed over to the state, and unauthorized payments in kind, involving 3.9 million yuan. The provincial government approved the immediate collection of 4,313,000 yuan, the deferment of payment of 385,000 yuan, the transference of 396,000 yuan to fixed assets account, and the fining of 150,000 yuan, and decided that disciplinary measures should be seriously taken against the people involved.

"These units violated financial discipline mainly in the following five ways:

"1) They treated without authorization enterprises included in the state budget as those not included in the budget in managing these enterprises, thus depriving the state of its share of profit delivery. Since the establishment of the chemical industry equipment spare parts company and the fertilizer supply and marketing company, the petrochemical industry department has always treated them as enterprises not included in the state budget in managing them, and has not handed in their accounting statements to the state. By October 1983, the two companies had grabbed and regarded as their own 98,983 yuan of the profits that they should have delivered to the state.

"2) They grabbed a part of the state's share of profit delivery to increase their retained profits by means of arbitrary overstating their allowed expenditure. Since 1982, the material center has apportioned its expenditure in violation of the regulations and thus grabbed from the state of its share of profit delivery by 80,681 yuan." It should have retained 30 percent of its realized profits in accordance with the regulations of the state, but the department stipulated without authorization the retaining of 50 percent of its profits. This resulted in cutting its profit delivery to the state by 65,252 yuan.

"3) They withheld and misappropriated funds that they should have handed over to the state. The fertilizer supply and marketing company falsified its accounts and posted some of the service charges and short-distance carriage charges it received in the previous 2 years to prepayments account, and thus held back 477,000 yuan that it should have handed over to the state. The Xinyuang coal allocation and transport branch of the materials center retained without authorization 1,863,800 yuan of surplus and spent without authorization 396,100 yuan of this amount in purchasing equipment.

"4) The department held back some funds that it should have handed over to the state. It lent to the units under it the 1.54 million yuan that it had collected from them. The provincial government issued a circular on 27 July ordering the delivery of such funds to the government for intellectual investment. However, the department wrote off this amount in its books on 31 July, but those loans remained on the books of the borrowing enterprises.

"5) They provided excessive fringe benefits and paid excessive bonuses in cash and in kind and excessive allowances." The fertilizer supply and marketing company spent 2,184 yuan on entertainment, 949 yuan on film tickets, and 704 yuan on summer allowances for its 19 staff members from January to October 1983. From January to September, it paid 5,146 yuan in bonuses and allowances for 16 of the staff members, 321 yuan on average for each member. It spent 17,700 yuan in 1983 on cameras, electric fans, sofas and other luxury goods without authorization. The chemical industry equipment spare parts spent a lot of funds without authorization to build 36 flats totaling 2,200 square meters for its staff, although it has a permanent work force of only eight staff, of whom seven had already been provided with housing.

The provincial government decided to recover from these companies all the funds that they had illegally grabbed from the state and to recover from the staff there all the excessive payments in cash or in kind. Moreover, these companies are to be fined for violation of financial discipline. The provincial government also decided to seriously punish the cadres involved in the cases, to conscientiously absorb the lessons so as to heighten people's awareness, to conscientiously carry out consolidation in these enterprises in order to set up proper accounting systems there, and to strictly enforce financial discipline and thus prevent a recurrence of such cases.

CSO: 4006/277

FINANCE AND BANKING

MAJOR REFORM IN CHINA'S BANKING SYSTEM ENACTED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 11, 4 Nov 83 pp 4-5

[Editorial: "Do a Good Job in the Major Reform of the Banking System"]

[Text] The State Council recently decided to have the People's Bank of China function exclusively as a central bank. This is a major reform in the banking system. The broad masses of cadres and workers of banks at all levels should thoroughly understand the necessity and significance of this reform and adopt vigorous and safe measures to resolutely implement the decision of the State Council to bring into fuller play the functions of the People's Bank and other specialized banks and to render better service to support key state construction projects and implement state macroeconomic policies.

The decision of the State Council was adopted in view of the current situation in economic work and actual conditions in the reform of the banking system. The basic reason for conducting this reform is to urge the People's Bank to play a better and more active role in formulating national monetary policies, tightening fund control and maintaining the stability of markets and currency, and urge other specialized banks to do their best in their specific field of operations under the guidance of overall monetary policies so as to promote the implementation of state macroeconomic policies. As we know, in recent years our national economy has developed rapidly, and the role of banking has also become increasingly important thanks to the implementation of a series of correct principles and policies. At present, the state should focus financial and material resources on key construction projects and actively create conditions for fulfilling by the end of this century the magnificent goal of our national economic construction put forward by the 12th CPC Congress. In order to guarantee key construction projects, we should exercise centralized and unified controls over the utilization of financial and material resources and properly reduce general production and construction projects. A major problem in current economic work is the overdecentralization of fund control and utilization. We are unable to centralize what should be centralized and have lost control of general production and construction projects. To guarantee smooth progress in key state construction projects, we need to work on many things. One of the important things is to exercise centralized and unified control over state funds (including credit funds) and control the fund supply to general production and construction projects. Tightening fund control in

accordance with state macroeconomic policies can bring the macroeconomy under control--like leading an ox by the nose. Being a department in charge of funds, banks can control funds like "leading an ox by the nose." In other words, they can control the macroeconomy. Only when funds are under control can we guarantee key construction projects and maintain the stability of markets and currency. This is also a major economic policy at present. In the past few years, banks have played an important role in economic construction and made great achievements in bank restructuring; all specialized banks have done their best in their sector of work. All of these things should be affirmed. However, we must notice the phenomenon of decentralization currently existing in the utilization and management of credit funds. Some credit funds have been released too fast and too abruptly. The main reason is that we have failed to effectively control the overall policies and do enough work in coordinating and guiding various specialized banks. In view of the above situation, the State Council decided to have the People's Bank of China function exclusively as a central bank. This is needed in reforming the banking system as well as in supporting key state construction projects and maintaining the stability of markets and currency. We must thoroughly understand the relations between this reform and the implementation of state macroeconomic policies. Only by doing so can we aim high and resolutely carry out the decision of the State Council.

Functioning exclusively as a central bank, the People's Bank of China has increased its work load and substantially changed the targets of its work. There are no experiences for it to draw lessons from. It can neither do things in the old ways nor leave things as they are now. Problems really exist. We should notice the problems. But, what is more important, we should notice the necessity, urgency and great significance of strengthening the functions of the People's Bank. This way, we will have more courage and confidence in carrying out the reform and be able to overcome difficulties more easily. We should dare to practice, gain experience through practice, solve problems, overcome difficulties and form a new central bank system that has Chinese characteristics. This is an arduous task entrusted to us by history. We should strive to fulfill it with great confidence. Therefore, in the course of the reform, responsible comrades of banks at all levels must conscientiously strengthen ideological and political work and educate all bank cadres, staff and workers to consider the situation as a whole, unite as one and make concerted efforts to do a good job in reforming the banking system.

As a central bank, the People's Bank of China will encounter many complex issues closely related to all economic departments, enterprises and units. When carrying out this reform, we must pay special attention to two points: First, we should proceed from strengthening overall control and facilitating stability and development of the overall economic situation, guarantee smooth progress in banking operations and prevent negative influences on social and economic activities. Second, the reform measures must be vigorous and safe. The reform work must be carried out in a vigorous but meticulous manner. At present, we need to concentrate on the preliminary work and adopt interim measures. The reform should be carried out in a guided and step-by-step manner. Different levels and regions should carry out reforms separately. For

the time being, the reform work will be chiefly carried out in the headquarters and main offices of the People's Bank. Branches' offices under the People's Bank and other specialized banks should focus their main energy on current banking operations.

The broad masses of cadres and staff and workers of the People's Bank, especially responsible cadres at all levels, should fully understand the difficulty and importance of the task of the People's Bank to function exclusively as a national bank. They should initiate a timely change in their ideology, work focus and workstyle and strive to improve their understanding of policies and theory and their professional skills to meet the needs of new tasks. According to the decision of the State Council, the People's Bank is now a state organ under the State Council in charge of supervising and controlling the national monetary affairs. It will not handle industrial and commercial credits and bank deposits. Its main tasks are concentrating on the study and formulation of overall policies on national monetary affairs, strengthening the management of credit funds and maintaining currency stability. It will exercise control over specialized banks and financial organizations chiefly by economic means. These tasks and demands are certainly not easy. They are very different from the previous ones. Many comrades working for the People's Bank used to spend most of their time handling routine banking operations. As a result, they had relatively little time to study the macroeconomy and monetary policies. They are accustomed to the work method of exercising control by administrative means. Now that they feel unfamiliar and awkward with the new tasks, they thought the work of the People's Bank would be rather "empty" in the future. This does not conform to reality. Since the People's Bank will no longer handle industrial and commercial credits and bank deposits, we may say that it is "empty." Judged from the responsibility and tasks entrusted by the State Council to the People's Bank, it is not empty, but heavier. Facing the new tasks, there are many realms of necessity which we have not been able to understand, such as how to do a good job in overall monetary policies, how to exercise control over specialized banks by economic means and how to handle the relations between central and local authorities.

Our work experiences, policies and theoretical level still cannot meet the needs of our actual tasks. The work of the People's Bank is extremely important and has great potential. Comrades working for the People's Bank should adopt a positive and firm attitude to continuously practice, explore and make new discoveries and progress. They should focus their energy primarily on studying and doing a good job in overall monetary policies, studying issues concerning principles and policies and exploring new work methods. In the new practice, they should strive to fulfill the glorious task entrusted to them by the State Council, raise their level of understanding and increase their work ability.

12302

CSO: 4006/137

FINANCE AND BANKING

BANK OF CHINA FINANCES TRANSPORTATION PROJECTS

OW240816 Beijing XINHUA in English 0746 GMT 24 Jan 84

[Text] Beijing, January 24 (XINHUA)--The Bank of China provided foreign exchange loans to the tune of 1,668 million U.S. dollars for transportation and harbor construction projects in 1983, according to the bank's figures.

Of this, 1.45 billion was used to buy or build ships, 100 million went for harbor construction and 78 million was used to lease Boeing 737's.

In addition, the bank issued 20 million yuan (about 10 million U.S. dollars) for the preliminary construction of the Pingshuo open-cast coal mine in Shanxi a joint development project between China and the United States. The bank also began to raise funds for the construction of a nuclear power plant to be built in Guangdong Province.

As a chief shareholder of the China Development Finance Co. (Hong Kong) Ltd. the Bank of China is taking an active part in financing projects in the joint exploration and development of China's offshore petroleum resources. It also made some progress in the re-issuing of loans from Japan or some energy development projects. So far, it has issued 75 million U.S. dollars in loans for the oil exploration and development projects in the Bohai Sea.

The local branches of the Bank of China has taken an active part in supporting technical transformation of existing enterprises. Over the past year, the local branches promised 1.3 billion U.S. dollars in foreign exchange loans for 2,670 projects. Of this, 785 million has been used so far. The total amount of foreign exchange loans issued and the number of projects involved at least doubled the 1982 figure to hit all-time highs.

Over 60 percent of local foreign exchange loans were used to upgrade medium-sized and small enterprises, mostly at preferential rates.

In addition, the various local branches of the bank provided 286 million yuan in loans to buy auxiliaries at home for imported equipment and 174 million yuan for the production of export products.

According to the bank, 3,000 technical transformation projects requiring loans from the Bank of China have been proposed for the period between 1983 and 1985.

The bank officials said that the bank will make greater efforts this year to explore more avenues and provide the optimum financing plans in order to accelerate the construction of key state capital construction projects and step up technical transformation of existing enterprises.

CSO: 4020/062

FINANCE AND BANKING

INITIAL RESULTS OF FINANCIAL INSPECTION DETAILED

Nanjing XINHUA RIBAO in Chinese 2 Dec 83 p 1

[Article by the Provincial Finance Inspection Office: "Initial Successes in the Provincewide Inspection of Financial Affairs; Over 88 Million Yuan Found To Be Due as Overdue Taxes"]

[Text] Initial successes have been achieved in the provincewide large-scale investigation of financial affairs, which has been conducted for over 1 month. According to incomplete statistics up to 20 November, 88.72 million yuan have already been discovered to be due as overdue taxes in this provincewide investigation. The municipalities of Suzhou, Wuxi, Changzhou, Nantong and certain units at the provincial level have already paid into the treasury 30.48 million yuan as overdue taxes.

In the analysis of the problems disclosed by the investigations in the various localities it is worthwhile to draw attention to the following points: 1) A few units concealed and retained state income for extended periods of time, the sums involved were quite large and had not been ferreted out time and again; 2) irresponsible issuing of rewards, allowances and materials under various pretences to the detriment of the state's interests; 3) gouging of state income and converting it into "small treasuries," from which funds were squandered and wasted; 4) during this major investigation, certain units still showed disregard for law and discipline and continued violations while the investigations were going on.

In view of this situation, the provincial government issued a notice, in which it called on all localities to do a good job from start to finish at this major financial investigation and to strictly prevent any perfunctory dealings in this matter. A core force of financial and tax experts must now be detached to visit key units and conscientiously organize spot checks. If illegal breaches of financial and economic discipline are discovered, typical cases must be grasped and severely dealt with. Where funds have to be returned, such returns shall be effected; where payments to the treasury are due, they must be paid. Units and individuals who have violated financial or economic discipline must under no circumstances be allowed to gain any unfair advantages.

FINANCE AND BANKING

GOOD RESULTS OF TAX INSPECTION

Yinchuan NINGXIA RIBAO in Chinese 11 Dec 83 p 1

[Article by Zhang Junhong [1728 0193 4767]: "In the Course of Tax Inspection in Our Region, Over 1.3 Million Yuan in Overdue Taxes and Energy Resources Funds Were Found To Be Due"]

[Text] It is learned that up to 10 November, the tax inspection throughout our region found the following amounts to be due: over 830,000 yuan of industrial and commercial taxes, over 170,000 yuan of income tax from state-run enterprises, over 200,000 yuan of communications and energy resources funds and over 100,000 yuan from settlements of sundry taxes. Among these items, it was found that 207 state-run enterprises owed commercial taxes amounting to over 130,000 yuan, over 600 urban and rural collectives owed over 560,000 yuan overdue taxes and more than 1,000 individual industrial and commercial enterprises owed 130,000 yuan in overdue taxes.

At the conclusion of the conference of heads of finance and tax bureaus of this region, held in September, the tax bureau of this region implemented the spirit of notifications from the State Council and the government of this autonomous region in issuing a "Notice Concerning Conscientious Implementation of Tax Policies and Launching a Drive to Recover Evaded and Overdue Taxes" as well as the "Notice Concerning Major Points in the Inspection of Industrial and Commercial Tax Revenue." All prefectures, municipalities and counties of this region are attaching extreme importance to the inspection of tax receipts. They formed teams, led by the heads of the tax bureaus, organized inspection teams, drawing up procedural outlines and determining the substantial objectives of the inspections. Some implemented a system of personal responsibility, "fixing personnel, number of accounts, times, quality and results," and thus fully preparing their tax investigations. The tax bureau of this region organized personnel to conduct short-term training and in addition dispatched seven inspection teams to proceed to Yinchuan, Shizishan, Yinnan and Guyuan, to get closely involved in the work of the tax paying units and help the various prefectures, municipalities and counties launch tax inspection work.

Some of the outstanding amounts of overdue tax have already been paid into the treasury and some payments are now being attended to.

FINANCE AND BANKING

BRIEFS

SICHUAN FINANCE MEETING--A recently concluded provincial finance conference decided that the main tasks for the province are to take party rectification as the motive force, focus on concentration, balance, and reforms, vigorously organize revenue work on the basis of stimulating production and circulation, reducing deficits and increasing surpluses, and improving economic results, improve the utilization results of capital, and strive for an early and fundamental turn for the better in the province's financial and economic condition. The conference held: The province has scored very great success in financial and revenue work in the past year, and a new situation has emerged. In particular, we have reversed the several consecutive years' continuous decline in revenue and achieved steady growth. Governor Yang Xizong and Vice Governor He Haoju spoke at the meeting. They demanded that all areas and departments have a clear idea of the excellent situation, brace revolutionary spirit, [as printed] strengthen financial and revenue work, and strive to fulfill the tasks. The party committees and government at all levels must further strengthen leadership over revenue and finance work and improve cadre quality. They must support the work of the cadres. The financial and revenue personnel must further bring into play the revolutionary spirit of arduous struggle, loyally carry out their duties, and contribute to fulfilling the year's financial tasks. [Excerpts] [HK070348 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 6 Jan 84]

YUNNAN INSURANCE BUSINESS--Yunnan Province has now set up some 200 insurance organizations of various kinds. Except for Nujiang Lisu Autonomous Prefecture, all other places throughout the province have set up insurance organizations to handle all domestic insurance business. The amount of property insured has reached 6 billion yuan. The insurance organizations in the province have dealt with some 3,850 cases of damages of various kinds and defrayed damages, totaling 4 million yuan. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 4 Jan 84 HK]

SHANXI INDUSTRIAL, COMMERCIAL TAXES--By 10 December, Shanxi Province had collected 1,286,830,000 yuan of industrial and commercial taxes, overfulfilling the annual quota by 2.92 percent 20 days ahead of schedule and registering a 12-percent increase over the corresponding period in 1982. [Excerpt] [Taiyuan SHANXI RIBAO in Chinese 18 Dec 83 p 1 SK]

MINERAL RESOURCES

NONFERROUS METALS PRODUCTION EXPEDITED

OW211716 Beijing XINHUA in English 1625 GMT 21 Jan 84

[Text] Beijing, 21 Jan (XINHUA)--China is making big efforts to speed up construction of four copper mines, three lead-zinc mines, two tin mines and five large and medium-sized aluminium plants.

A spokesman for the China Nonferrous Metals Industrial Corporation told XINHUA today that these projects are distributed in the provinces of Jiangxi, Shanxi, Guizhou and Guangdong and other areas.

China is also building a large molybdenum mine in Shaanxi Province, a large nickel mine in Gansu Province and a mine containing tantalum and niobium in Jiangxi Province, the spokesman added.

According to the corporation, these projects are scheduled to be put into operation within three years. They will enlarge the nonferrous metals production capacity by one-third.

The completion of these projects, the spokesman said, will relieve the shortage of nonferrous metal products in the domestic market and meet the development needs of the national economy and defence.

Located in the northeastern part of Jiangxi Province, China's largest copper producing center consists of four copper mines, one lead and zinc mine and one metallurgical plant. After three years of construction, one copper mine has developed a daily handling capacity of 15,000 tons of ore, while equipment imported from Japan and Finland has been installed in the metallurgical plant.

With a quarter of the country's verified copper reserves, the center will turn out 200,000 tons of copper a year upon the completion of all the projects.

China's largest aluminium plant is being built in a designated aluminium center in Shanxi Province. Four workshop buildings will be completed this year, and a generating unit for the heat and power plant will be installed.

The first stage of the aluminium plant is designed to produce 200,000 tons of aluminium oxide a year upon its completion in 1986, and the second stage 800,000 tons a year.

China's nonferrous metals industry is composed of 819 enterprises and institutions with a relatively complete system, including smelting and refining and processing of nonferrous metals and rare metals.

According to the corporation China has rich nonferrous metal resources, of which the reserves of tungsten, tin, antimony, zinc, titanium, tantalum and rare earths are the largest in the world, while those of lead, nickel, mercury, molybdenum and niobium are the second largest.

The spokesman for the corporation said China fulfilled the production quotas for the ten major nonferrous metals, including copper, lead, aluminium and zinc, 20 days ahead of schedule in 1983. The total output registered an increase of 2.7 percent over 1982.

CSO: 4020/61

MINERAL RESOURCES

BRIEF INTRODUCTION TO EXPLORATORY ENGINEERING IN HEBEI PROVINCE

Beijing TANKUANG GONGCHENG [EXPLORATION ENGINEERING] in Chinese No 5, 1983
pp 14-15

[Article by Tang Molin [0781 1075 2651]: "Introduction to Exploratory Mining Engineering"]

[Text] Under the guidance of the party, together with the development in socialist construction and the geological survey in our country, the exploratory engineering work at the Geological Survey Bureau of Hebei has already been developed from nothing into an important force in comprehensive geological surveying. Significant progress has been made in terms of the scale of the team, technical equipment and level of drilling technology. From 1951 to 1982, over 3.41 million meters of drilling had been completed. There were over 75,000 meters of exploratory drilling done by machines. More than 62,000 meters of shallow wells and 876,000 m³ of trenching were done. A great deal of comprehensive surveys had been carried out at over 100 mining areas on the resources of various nonferrous metals, nonmetallic solid minerals, petroleum and natural gas, chemical engineering and construction materials as well as on aspects such as hydrogeological engineering, defense engineering and reservoir dam foundation. Great contributions had been made to the socialist construction work.

From the early fifties to the late sixties, together with the recovery of the national economy and the launching of the First and Second 5-Year Plans, the exploratory engineering of mines was facing a situation of great development. The number of startup drilling machines increased to 169 in 1966 from over a dozen when the bureau was first founded. The amount of work increased rapidly from advancing several tens of thousands of meters annually to over 280,000 meters per year. Furthermore, pit exploration engineering and various mountain operations were carried out widely in order to conduct surveys on numerous minerals and the geology of hydrogeological engineering work.

From the sixties to the late seventies, exploration was further developed and improved. The number of drilling machines put into operation was as high as over 200. The mechanical pit drilling teams were increased to eight. There were 15 mineral geological survey teams and 3 hydrogeological teams. Overall survey work was carried out on the mineral geology and

hydrogeological engineering geology in the entire province. The drilling method and technological standard have been developed and improved. Technical equipment was improved continuously. Especially, new advances were obtained in research. New techniques and methods were greatly promoted. Protecting the pits, plugging the leaks and using good washing solutions were taken seriously. The concentration was reflected in production. The yield of over a dozen core minerals surveyed was insured. The success rate of holes drilled rose to above 80 percent. The monthly efficiency increased steadily by the year.

From the early eighties until the present moment, under the guidance of the "eight character" policy of the party, which centered around readjustment, exploration engineering was reinforced and strengthened in readjustment. Although the number of drilling machines in operation was decreased, yet the personnel and equipment were improved. Small-diameter diamond drill exploration and cable-drilling technology achieved rapid development. In 1982, 26 small-aperture diamond drilling machines were put into operation, of which 11 were the cable type. It was nearly one-third of the drilling machines in operation for mining. In the meantime, many technological drilling explorations were developed. The "triple-machine" mechanized operation line was promoted for pit exploration. According to various layers, different core structures and drilling methods were adopted, such as the selection of drill bits with various abrasives and the comprehensive protection of the pits and the plugging of the leaks. The comprehensive team in the bureau successfully developed the Model ZF56 hydraulic impactor and promoted it in field production. Small modifications and improvements in equipment, machinery, mining tools, instruments and safety measures continue to emerge. The technical operation standard of the exploration teams especially have improved significantly. The technical management in production has also been reformed and strengthened. Both aspects promoted improvements in productivity.

Looking back at the various historic stages in the development of exploration engineering, there is a common point in that the objective was always to ensure engineering quality, improve efficiency, lower costs and expenses and obtain better geological results. The duty was difficult. The workload was large. The development was fast. However, the most significant results are in the following areas:

1. Many drilling methods were widely adopted. Small-aperture diamond drill exploration was developed very rapidly. The bureau increased the number of its machines from 1 experimental one in 1975 to 16 in 1982. Furthermore, there are two teams basically dedicated to the realization of small aperture. The monthly efficiency per machine is improved by more than 40 percent as compared to that of the large aperture in similar rock layers. This ensures the yield of minerals. The approval rate of cores drilled reached over 98 percent.

The new cable extraction method has been heavily promoted. The bureau has already operated 11 machines. It has shown superiority in the areas of quality, efficiency and cost. According to statistics, in terms of cost

alone from 1980 to 1982 alone, a total of over 106,400 meters were advanced together with small-aperture diamond drilling machines. On the average, the cost per meter was lowered by 34 yuan as compared to that of a large aperture. The total amount of costs and expenses saved reached over 3.41 million yuan. Furthermore, the intensity of the labor was reduced, which was welcomed by the employees.

Hydraulic-impact rotary drilling has been used in field production. The bureau has already decided to promote it in small-aperture diamond drilling this year.

In hydrogeological exploration, air bubbles are used in advancing the drilling. The efficiency per hour has been improved by more than two times as compared to the conventional alloy drill bits. Furthermore, it also resolved the difficulties encountered in surveying areas without water. In the meantime, pneumatic-hammer drilling was tested. The efficiency per hour could improve by more than four times.

2. Different drilling technologies were developed and improved. As the number of general-survey drilling holes increased, and in order to satisfy the need to drill in a complex stratum, the technologies in drilling exploration were developed and strengthened in recent years, such as determining the aperture of the hole drilled according to the stratum, maintaining the same aperture all the way, using a second- or third-level aperture to complete the hole, pumping water to extract the ore through the smaller aperture, expanding a larger aperture into a well, drilling a large diameter well in one attempt, etc. As another example, various abrasives could be selected for the drill bits according to the stratum. Usually, in soft rocks, an alloy bit is used. With the exception that steel grains are used for particular ores, a diamond drill bit is used in hard rocks. In particular, the selection of a good drill bit has widely attracted people's attention. In the meantime, in order to ensure the quality of the holes drilled, various ore-extracting tools, preliminary directional drilling, an artificial deviator and a deviation corrector have been developed and widely used in production.

3. New developments have been accomplished in pit protection, leak plugging and splashing solution in hole drilling. The provincial bureau and most of the teams have already established mud laboratories. The testing apparatus was gradually equipped. Part of the field teams were equipped with a testing box for the characteristics of mud. Each team basically promotes the use of good-quality mud, mud without a solid phase, geological cement, fast-setting cement, etc. At the present moment, with the exception of individual teams, a high-quality powdered soil is used. It strongly promotes the improvement of productivity and the acceleration of the survey rate.

4. Equipment, instruments and the apparatus have been improved. Model XU600-3 drilling machines (or similar drilling machines) and 1000- and 1500-meter deep hydraulic machines are widely used in the exploration of minerals. There are 200-meter and 300-meter large-aperture water-well

drilling machines and vehicular-mounted drilling machines for pumping water. The mud pump and generators associated with the various drilling machines are also gradually improved. Furthermore, there are instruments to measure the inclinations and the wells for large and small apertures. A small number of teams are also equipped with instruments for drilling exploration parameters. It creates the conditions for scientific drilling.

5. The standard of technical operation has been raised significantly. Along with the adoption of new techniques and new methods as well as the advances in scientific technology in exploration engineering, the technical standard of the engineering technical cadres and of the vast number of workers has been improved correspondingly. In recent years, in addition to selecting technical cadres to attend various training classes, the provincial bureau held training classes for team leaders, technical cadres and machine leaders. Theoretical knowledge has been systematically learned. Furthermore, scientific short-term classes were held for various kinds of workers. On top of these, there is the annual winter training work. These are beneficial to the improvement of technical standards.

Presently, it is a difficult task to inherit the past and to open new opportunities for the future. Production will have to be further increased. Restructuring and reform are currently underway. The bureau is determined to learn and to surpass the state of the art in order to create a new situation in exploration engineering and to work hard to contribute to the four modernizations.

12553
CSO: 4013/45

MINERAL RESOURCES

IRON MINE COMPLETES STATE PLAN

Guangzhou NANFANG RIBAO in Chinese 29 Nov 83 p 1

[Article by Wang Songkuan 3769 2646 140]: "The Hainan Iron Mine Comprehensively Completed the State Plan This Year; It Uses the Improvement of Economic Results as the Key"

[Text] Guangdong Province's Hainan Iron Mine has supported itself using high economic results as a key, vigorously promoted economic reform and achieved outstanding economic results. By November 11th, it had already comprehensively completed the state plans for yield, output value and profit for this year. On the average, compared to the same period last year, there were great increases in the volume of strip mining, high-grade ore and finished iron ore and profits, and they maintained advanced levels nation- and industry-wide. The sales rate of quality iron ore reached 100 percent, and the users were most satisfied.

Hainan Iron Mine is China's largest production base of high-grade ore. Last year it was judged by Guangdong Province as an advanced enterprise, and at the beginning of this year the enterprise was checked and qualified in five reorganizations. In the face of success cadres and workers did not slack off, and supported reform. It used the improvement of economic results as the key, continuously improved the economic system of responsibility, did their mining at stipulated locations, organized production according to line of excavation advance mining procedures, and guaranteed high and stable production. At the same time it promoted comprehensive economic accounting, strengthened control of materials and funds, decreased consumption and costs. In the first ten months of this year, the total costs of production were 6.11 million yuan less than planned. It is continuing to tap the potential within the enterprise, it has launched a comprehensive utilization of natural resources, reduced the backload of lean ore, increased the volume of high-grade ore, and in the first ten months of the year, increased the amount of high grade ore by 600,000 metric tons. Production of 7,500 metric tons of copper concentrate increased profits by 2.26 million yuan.

12437

CSO: 4006/164

MINERAL RESOURCES

BRIEFS

MINERAL RESOURCES SURVEY--Beijing, 14 Jan (XINHUA)--China has completed geological survey on 9.07 million square kilometers, 94.4 percent of China's area, a leading geologist said here today. Professor Cheng Yuqi, chief engineer of the Ministry of Geology and Mineral Resources, said in an interview that this includes oceanic geological, hydro-geological, aerial magnetic, radio-active, gravity and geo-chemical studies. Of the 135 minerals with verified reserves, China stands in the front ranks in tungsten, antimony, rare earths, zinc, coal, tin, lead and some others, he said. New progress has been made in exploring more reserves of coal, oil, gas and uranium and some non-metallic minerals, he said. The output value of the mineral processing and manufacturing industries accounts for about 60 percent of China's annual industrial output value, he said. Basing themselves on the present understanding of the mineralization in China, Chinese geologists expect to find more minerals, especially offshore oil and gas, he said. He said that attention should be paid to the geology in Western China, which can lay a solid foundation for the country's economic development in the 21st century. [Text] [OW140931 Beijing XINHUA in English 0656 GMT 14 Jan 84]

ORE PROSPECTING GOAL--Beijing, 19 Jan (XINHUA)--China overfulfilled its 1983 quotas for prospecting of 23 kinds of metallic and non-metallic mineral reserves, according to the Ministry of Geology and Mineral Resources. The newly discovered reserves include coal, iron, manganese, copper, nickel, aluminium, zinc, tungsten, tin, gold and silver. The quotas for prospecting of coal were topped by 20 percent and those for iron 16 percent. This was announced at a national conference on mineral prospecting now in session here by Zhu Xun, vice-minister of geology and mineral resources. He said Chinese geologists discovered and verified 145 mineral deposits by industrial value in 1983. At the same time, 146 old mines were found to have additional reserves. Among the newly-discovered deposits, there were 36 coal deposits, with a prospective reserve of 30 billion tons. Gold and other rare metals and some non-metallic mineral were also discovered in considerable amounts. [Text] [OW201453 Beijing XINHUA in English 0741 GMT 19 Jan 84]

MEERSCHAUM DEPOSITS DISCOVERED--Changsha, 9 Jan (XINHUA)--A large meerschaum deposit with part of the reserve verified to be more than 1.5 million tons has been discovered at Liuyang in eastern Hunan Province, according to the provincial Bureau of Geology and Mineral Resources. Meerschaum, a soft, white, claylike, heat-resistant mineral, is an ideal drilling mud material for sinking offshore

oil wells and ultra deep wells. It can be used to decolor, purify, and absorb radioactive wastes and toxic gases. It can also be used in the textile, chemical and food industries. Officials of the bureau said similar deposits have also been found in Liling and Xiangtan Counties not far from Liuyang. The meerschaum discovery at Liuyang was China's second. The first, at Leping County in Jiangxi Province, contains reserves of 400,000 tons. [Text] [Beijing XINHUA in English 0701 GMT 9 Jan 84 OW]

CSO: 4020/61

INDUSTRY

RARE-EARTH INDUSTRY MUST SERVE NATIONAL ECONOMY

Beijing JINGJI RIBAO in Chinese 3 Nov 83 p 3

[Interview with Zhou Chuandian [0719 0278 0368], deputy minister of the Ministry of Metallurgical Industry and chairman of Rare-Earth Society in China, by reporter; date and place not given: "Develop the Rare-Earth Industry to Serve the National Economy"]

[Text] How to further develop the rare-earth industry so as to serve the various departments of the national economy is an extremely important question. Zhou Chuandian, deputy minister of the Metallurgical Industrial Department and chairman of the Rare-Earth Society in China, here answers the questions raised by the reporter.

Question: Could you please discuss the present conditions of the rare-earth industry in our country?

Answer: Our country has abundant resources of rare earth and the reserves for industrial use rank first in the world. The party Central Committee and State Council show tremendous attention and concern for the development of rare-earth industry, and since the early fifties, have organized forces to develop research on the comprehensive utilization of resources in Baotou. Baogang can already produce minerals containing 68 percent rare earth in mass quantities. The capacity of producing rare earth in our country ranks second in the world, and we can produce more than 200 different types of raw materials, subsidiary products and compounds of rare earth and rare-earth metals and these have already been widely used in fields such as metallurgy, machinery, petroleum, chemical engineering, light industry, electronics, agriculture, medical and military work.

Question: What is the major problem in the development of the rare-earth industry in our country at present?

Answer: The main problem is that the level of production facilities and management is low. The methods of statistics, analysis and inspection are backward. There is a lack of a specialized production line, and the quality of some rare-earth products still cannot meet the requirements for use.

In order to solve these problems, we must rely on technological progress and do a good job in overall planning. There are more than 200 units engaged in studying the mining of rare earth and there are several thousand scientists and technicians. This is an important technological force. They constantly have new breakthroughs in the reform of production technology and the application techniques of rare earth, and have provided advanced technology for the rare-earth industry. In our work, we should pay attention to improving our technological equipment, our management level and the quality of products and strive to lower production costs. In terms of policy, we should go after smaller profits but aim at marketing greater quantities. We must grasp the application of rare earth in fields with relatively more advanced technology in the country, such as iron and steel, and farming. At the same time, we must organize the production of rare earth according to international standards, so as to increase the potentialities for exports.

Question: Could you please discuss the development prospect of the rare-earth industry?

Answer: There are many new breakthroughs in the application of rare earth in farming, tannery, fur industry and dyeing of woolen yarn. There has been new progress in aspects of plastics and medicine at present. Rare earth has become the major mineral in use in iron and steel, aluminum products and farming. Baotou is an important base in the rare-earth industry in our country. Rare earth and iron are produced jointly there. Following the rapid development in scientific technology, the production costs of rare-earth products in Baotou will drop drastically, and better conditions will be created for the application and export of rare earth. According to statistics, the growth rate for the quantity of rare earth used in foreign countries is 12 percent every 2 years. It can be predicted that the prospects for the development of rare earth in our country are excellent, and this is good for stimulating the economy.

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CSO: 4006/185

INDUSTRY

GO ALL OUT TO DEVELOP ELECTRONICS PRODUCTS

Beijing JINGJI RIBAO in Chinese 3 Nov 83 p 3

[Article by Wang Zhongchen [3769 0112 5256]: "Go All Out To Develop Electronics Products"]

[Text] A major task in the electronics industry at present is to actively regulate the structure of electronics products and vigorously develop electronics products of an investment nature which serve modernized construction in the national economy so that major constructions and technological reforms in the country based on modernized scientific technology will create conditions for attaining the great goal of reviving the national economy.

Not long ago, the electronics industry department organized two investigation groups to visit the departments of energy, transportation, posts and telecommunications, metallurgy, machinery, textile, broadcast and television and meteorology and go deeply into the power stations, oilfields, mines, key transportation links and large and medium backbone enterprises to investigate the conditions of the application of and demand for electronics equipment. These departments and units have attached tremendous importance to the application of electronics technology and need a large quantity of electronics equipment. For example, the departments of energy, transportation and meteorology are planning to gradually set up communications, statistical and transmission networks for their own systems. The various organizations, associations, schools, mines and enterprises need many automatic telephone exchange systems and various kinds of communications systems such as CW transmitters, HF, VHF and UHF, digital microwave, laser beam, satellite and facsimile and imagery equipment. There is also the broad prospect of widespread use of computers in the various trades. Our country plans to gradually set up certain computerized application systems before 1990, such as national economic planning and financial information, electric network control and coordination, management of railroad transportation, supervision and control of telecommunications, management of material resources and bank loans, etc. This calls for the establishment of computer systems and networks of application systems and enterprise management systems in more than 200 large and medium municipalities and more than 300 large and medium enterprises, and there is a demand for many micro, medium and mini computers and a certain quantity of large main frame computers.

Following the constant development in scientific technology, the various user departments have put forth new demands on the use of technical electronics equipment. One demand is for a change from the single machines or unitary systems of the past to a complete set of electronics engineering equipment. Second, very high demands have been set on the quality of complete electronics systems which must be stable and reliable and extremely accurate in performance. Third, users on the whole want to adopt new, modernized technology. Fourth, factories and supplier departments are required to service whole sets of equipment.

At present, no rational structure exists in the electronics industrial products in our country, mainly because there is a relatively small proportion of products of an investment nature and this situation does not conform to the requirements of modernized construction. Products of an investment nature all accounted for more than 50 percent in the structure of electronics products in several countries with a relatively advanced economy and technology in the past few years. Such products are close to 70 percent in France and the United States. The Japanese electronics industry is mainly based on and rapidly developed from the production of consumer electronics products. Following the rapid development of the computer industry and the extensive use of automation systems in industrial production, the proportion of electronics products of an investment nature is markedly increased and now accounts for approximately 40 percent. Compared to the several leading capitalist countries, the proportion of products of an investment nature in the structure of electronics products in our country is much smaller and accounted for only 23.4 percent in 1982.

In order to accelerate the development, production and popularized use of electronics products of an investment nature, it is necessary to adopt the appropriate policies and certain specific measures.

First, It Is Necessary To Take the Vigorous Development, Production and Popularized Use of Electronics Products of an Investment Nature as a Strategic Policy in the Electronics Industry. It is thus necessary, in accordance with the demands of building the national economy and technological reforms, to actively adjust the product structure, and in the 3 years after the Sixth 5-Year Plan and the Seventh 5-Year Plan, to strive to increase the proportion of electronics products of an investment nature to more than 30 percent by 1990 and attain 40 to 50 percent by the end of the century. Otherwise, it will be difficult to meet the demands of modernized construction in the country.

Second, Uphold the Policy of Integrating Military and Civilian Products and Interchange the Technology of Military and Civilian Products. In the early period, the electronics industry was developed according to the needs of the military industrial department. At present, it is particularly important to apply the technology of military products to civilian products. In 1982, the products for civilian use of an investment nature turned out by enterprises which are direct subsidiaries of the electronics industry only accounted for 17 percent of all products in the electronics industry.

while most enterprises which mainly produce military products (such as radar, guided missiles, communications systems, etc.) did not have full production tasks. These enterprises have rich resources. They have favorable conditions and the capacity to develop and produce products for civilian use. Moreover, many electronics products are suited for both military and civilian uses. There is great potential for the plants and research centers to develop and produce electronics products that serve the national economy.

Third, It Is Necessary To Establish the Concept of Systems Engineering and Regulate the Structure of Electronics Industry and Reform the Management System and Form of Management According to the Characteristics and Demands of Electronics System Engineering. In our efforts to develop electronics systems engineering, it is necessary to continually guarantee the supplies of single machines and unitary systems equipment to the users.

Fourth, It Is Necessary To Do a Good Job in Cooperation and Coordination With the Departments Concerned. When the various departments of the national economy, such as the energy department and the transportation department, and the various large backbone enterprises are drawing up plans for construction and reforms, the various departments in the electronics industry must properly grasp market forecasts, actively provide home services and participate in technological consultation, to serve as good advisers to users in the fields of applied electronics technology and the selection of electronics equipment, and, circumstances permitting, actively take up the tasks of scientific research and production in accordance with demand. They should also send out staff to design and fight jointly with these units according to the demands of the users. In the aspect of developing new technology, it is all the more necessary to cooperate with the scientific research centers and institutes of higher learning. They can also jointly develop and take up contract work for systems engineering and conduct research into new products with the industrial departments concerned.

Fifth, It Is Necessary To Strive To Improve the Technological Level and Product Quality of Electronics Products, Lower Production Costs, Further Improve Services and Implement A "Consistent System" in Developing, Producing, Marketing, Installing and Maintaining Products.

Sixth, It Is Necessary To Rapidly Draw Up Plans for Developing and Producing Electronics Products of an Investment Nature. At present, the various departments in the national economy have set very high demands on the technological level, quality, standards and variety of electronics equipment. If we take into consideration the extremely weak technological base for the electronics industry in our country at present, in the course of drawing up plans for product development, we should select the suitable and discard the unsuitable, shorten the battlefront, make the key points stand out, and ascertain the key products to be developed and point out the main production plants in accordance with demand and permissible circumstances.

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CSO: 4006/185

INDUSTRY

BRIEFS

SHANGHAI SCIENTIFIC PRODUCTION GAINS--Shanghai, 18 Jan (XINHUA)--Seven hundred thirty-six scientific and technical results were achieved in Shanghai in 1983, according to the city's Science and Technology Commission. Many have been used in production with economic success. Achievements are in the fields of materials, equipment, processing, technology, electrical components, agriculture, medicine and health, as well as basic theory. The "vad-vod multi-function ladle refining unit" produced by the Shanghai Iron and Steel Research Institute has improved one step electric furnace processing, raising productivity 25 percent and lowering the costs 10 percent. A new process for foam finish worked out jointly by the Shanghai Printing and Dyeing Company and the Shanghai East China Textile Engineering Institute raised productivity 30 percent in trial use by the Shanghai No 3 Printing and Dyeing Factory. The new technology has saved coal and improved the quality of fabrics. Fifty-seven of the total results are in applied computers research. The Shanghai Medical Apparatus Institute in cooperation with other departments has produced China's first [word indistinct] head scanner. Shanghai now has more than 500 scientific research institutions and 31 universities and colleges doing research work. There are 280,000 scientists and technicians in the natural sciences. The city's 379 products have come up to domestic and international standards. [Text] [OWI80933 Beijing XINHUA in English] 0723 GMT 18 Jan 84]

SHANXI MACHINERY INDUSTRY--Machinery enterprises in Shanxi Province, which suffered deficits for 3 years in a row, realized 21 million yuan of profit by the end of November. [Summary] [Taiwan SHANXI HIBAO in Chinese 21 Dec 83 p 1 5K]

SHANDONG ENTERPRISE PROFIT--According to statistics released in 1983, money-losing state industrial enterprises declined from 357 in 1982 to 217 and the amount of deficits was reduced to 130 million yuan, a decline of some 100 million yuan, or some 40 percent, from that of 1982. [Summary] [Jinan DAILY HIBAO in Chinese 12 Jan 84 p 1 5K]

TIANJI NEW INDUSTRIAL PRODUCTS--Tianjin Municipality has made new progress in developing new industrial products. In the past 3 years, four industrial departments produced over 4,700 varieties of new products. Of this, 3,813 have been put into production. [Summary] [SEI10121 Tianjin TIANJIN HIBAO in Chinese 18 Jan 84 p 1 5K]

CONSTRUCTION

PRC TO LAUNCH 123 CONSTRUCTION PROJECTS IN 1984

OW221437 Beijing XINHUA Domestic Service in Chinese 1-18 GMT 18 Jan 84

[Article by reporter Xu Yanzhong]

[Text] Beijing, 18 Jan (XINHUA)--After conducting study, the State Planning Commission has decided that in 1984 China will launch construction on 123 large and medium-sized projects, which will be organized and completed within a reasonable time limit.

Of the original 70 large and medium-sized projects to be completed within a reasonable time limit, 4 were completed in 1983 and the construction of the other 66 projects will be carried over to be continued in 1984. Among the 123 large and medium-sized projects to be launched this year, 57 are newly added on the basis of need and feasibility.

Of the 123 projects to be launched this year and completed within a reasonable time limit, 47 are in the energy sector, 33 in transportation, 28 in the raw materials industry, and 15 in steel, light industry, textile industry and other departments. When completed and put into operation, these projects will prove to be of great significance in strengthening the two weak links of energy and transportation, boosting the productivity of the raw materials industry and ensuring successful fulfillment of the Sixth 5-Year Plan.

The requirement to organize the construction within a reasonable time limit means that there must be guaranteed investments, materials, equipment and construction force to be provided for the construction of a project in accordance with the time limit specified in its design documents in order to complete it and put it into production within the specified period and at the prescribed quality and quantity, so that the investments will bring results as soon as possible. This is an important measure to ensure that, in the construction of key projects--with attention focused on energy and transportation--the time will be limited, the cost reduced and the economic results increased.

The State Planning Commission has issued a circular to the concerned departments and localities. In order to concentrate efforts to successfully build these projects with good quality and high standards, it has seven requirements. They are: act strictly in accordance with the capital construction

procedures; funds from various channels must be made available as dictated by the principle of reasonable time limit and the needed materials and equipment should be provided without fail; make overall planning and arrangements for both the principle and secondary parts of the projects and both the production and nonproduction facets of the projects to insure that both are built simultaneously and both will go into production at the same time; transfer highly trained and capable design and construction personnel to take part in these projects; practice various forms of economic responsibility system of contracted investments; principal leaders in charge of these projects should remain at the construction site to give directions on the spot and continue to do so consistently; mobilize forces in various quarters to support the construction of these projects and strictly forbid any unit or individual to indiscriminately impose fees on or fleece these projects.

CSO: 4020/062

CONSTRUCTION

KEY CONSTRUCTION PROJECTS FOR 1984 CHOSEN

OW191257 Beijing XINHUA in English 1206 GMT 19 Jan 84

[Text] Beijing, January 19 (XINHUA)--Fifty-seven new construction projects and 66 left over from 1984 [as received] will be given priority in funds, materials, equipment and labor, according to a spokesman for the State Planning Commi .

Of the 70 projects classified as key in 1983, four have been finished. China's sixth five-year plan for the 1981-85 period calls for starting construction of 890 key projects and completion of 400.

The 1984 top-priority projects were chosen in accordance with the country's economic needs and capabilities, the spokesman said. Included are 47 energy, 33 communications and 28 raw and processed materials projects, indicating the focus of China's economic development. The other 15 are scientific and light industry and textile projects.

All-out efforts will be made to ensure that these are built and put into operation on schedule, the commission spokesman said.

Work will also continue to bring extra-budgetary capital construction investment under control, he said.

So far construction of 5,000 non-key projects has been canceled or postponed, amounting to a cut of two billion yuan in investment.

CSO: 4020/062

CONSTRUCTION

BRIEFS

SHANGHAI SHIPBUILDING--Relying on their advanced technology, Shanghai's shipyards have built a number of modern ships for export. By the end of 1983, they had built four 12,300-ton container ships and four 16,000-ton multipurpose cargo ships and delivered them to the Federal Republic of Germany and the China Shipping Corporation. [Excerpts] [Shanghai City Service in Mandarin 2300 GMT 9 Jan 84 OW]

JILIN HOTEL CONSTRUCTION--Jilin City, Jilin Province, recently completed the building of a large, modern and magnificent hotel, the Songhua Jiang Hotel. The 9-story hotel has more than 170 rooms that are equipped with more than 500 beds and was recently put into operation. All bedrooms are decorated with modern equipment, such as a telephone, radio, and television set. [Text] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 20 Jan 84 SK]

CSO: 4006/281

DOMESTIC TRADE

FURTHER DEVELOPMENT OF COMMODITY PRODUCTION

Yinchuan NINGXIA RIBAO in Chinese 1 Dec 83 p 3

[Article by Jiang Hongliang [5592 7703 0081]: "Rural Supply and Marketing Cooperatives Must Actively Support Commodity Production"]

[Text] Since the 3d Plenary Session of the 11th CPC Congress, the supply and marketing cooperatives in our area have done excellent work and have to a certain extent been successful in the improvement of business administration and in raising economic results. However, quite a number of units still show a low level of economic results and some even incur losses. There are many reasons for this condition. One of the important ones, a key problem that is generally overlooked, is neglecting to pay attention to commodity production.

The rural supply and marketing cooperatives are the mainstay of rural commerce; their services are mainly directed toward the peasants. The economic results of rural supply and marketing cooperatives are conditioned by agricultural production and by the income of the peasants. The peasants create purchasing power only by marketing their products. All efforts to have the peasants produce larger quantities, better quality and easily marketable products are necessarily contingent on the feedback function of the circulating departments. The more things (including information and technology) the rural supply and marketing cooperatives "give" the peasants, and the more energy is expended on such efforts, the more agricultural sideline products can be "taken" from the peasants. This is the only way in which the income of the peasants can be raised, in which the cooperatives can thoroughly accomplish their various tasks and in which reliable guarantees can be provided for an increase in economic results.

The key to the improved economic results that the rural supply and marketing cooperatives are to achieve is, therefore, to have them devote more energy to the production of commodities. However, in recent years certain comrades in the rural supply and marketing cooperatives of our area are showing a tendency of regarding circulation as more important than production. As a result, the development of many trade items in our area left a large gap between the objective capabilities and the urgent needs of the population. Not only were certain items of good prospects not developed, but even well-developed items were left to decline after their initial progress; there was especially no basic area prepared for them and the agricultural sideline products that were produced were of low marketability. Although the total value of sales by the

rural supply and marketing cooperatives increased in recent years, the proportion of agricultural sideline products decreased. The profit from commodities sold by all the supply and marketing cooperatives throughout our area declined from 4.48 percent in 1980 to 3.72 percent in 1982. During the first half of this year, profits earned by the supply and marketing cooperatives of counties and smaller administrative units again declined, compared with the corresponding period last year.

To further improve our work in support of production, it is most important to strengthen education and raise the level of consciousness of cadres, employees and workers. At the same time we must carry out certain adjustments in the evaluation norms for economic results in rural supply and marketing cooperatives. This is necessary because the rural supply and marketing cooperatives expend funds and labor (living labor and embodied labor) not only on the purchases and sales of their own units, but also on the promotion of agricultural sideline production, for instance by allocating personnel to give aid to agricultural sideline production, by providing funds, materials and technical services, etc. The gains from these expenditures and labor deployments become basically reflected in larger agricultural production and increased peasant income; they are not being considered in the evaluation and appraisal norms for the economic results of the supply and marketing cooperatives. This is also a reason why certain units do not care to render assistance to production. The evaluation of the economic results of supply and marketing cooperatives must, therefore, be made consistent with the business objectives pursued by the supply and marketing cooperatives. In addition to the various norms originally fixed, it is necessary to add norms for the rate of increase of local agricultural sideline production, the marketability of the agricultural sideline products, the degree of adequacy of commodity assortments for the requirements of the peasants, etc. In an institutional way, we should urge them to achieve a unity between the economic results of their own enterprises and the economic results of the society.

The rural supply and marketing cooperatives of our area are now in the process of reorganization, to resume the character of cooperative commercial enterprises. We must further improve our service activities preceding and following production and establish a close bond between the business activities of the supply and marketing cooperatives and the agricultural production and economic interests of the peasants. In a conscientious implementation of the policies of the state, in exerting our best efforts in support of agricultural sideline production and in satisfying the needs of the masses, we shall make our due contribution to the national construction by raising economic results through an expansion of our purchasing and selling activities, by improving business management and by reducing expenditures.

9808

CSO: 4006/187

DOMESTIC TRADE

INITIAL RESULTS OF COMMERCIAL SYSTEM ASSESSED

Yinchuan NINGXIA RIBAO in Chinese 7 Dec 83 p 1

[Article by Gao Jingzhi [7559 7234 5347] and Chen Bujun [7115 2975 6511]: "The Commercial System Throughout Our Region Is Showing Increased Economic Results, Sales Increases, Higher Profits and Reduced Losses"]

[Text] As from the start of this year, the commercial system throughout our region is showing increased economic results, increased sales, higher profits and reduced losses. Comparing the period from January to October with the corresponding period of last year, total sales increased 4.93 percent, expenses dropped 0.13 percent, profits increased 28.82 percent, taxes paid to the treasury increased 33.44 percent and the number of enterprises that have incurred losses declined 14.49 percent.

To raise economic results in commerce, the commercial departments at all levels throughout our region, from the beginning of this year, have started to pay attention to improving the style of business operations in enterprises, to adapting to changes in the market and to raising competitive strength. The methods employed in the various localities to expand sales included determining purchases according to sales, joint sales displays, using sales agents, circulating goods, setting up stalls and establishing sales points, strengthening wholesale arrangements with collectives and individual retailers, etc. At the same time, they met the requirements of the market by adjusting the structure of stocking goods, increasing the assortments, design and color of easily salable goods, increasing standard commodities, disposing of questionable items in stock and by speeding up turnover of funds.

The commercial system of the entire region also took the work of extrapolating and turning losses into profits firmly in hand by adopting the responsibility system for enterprise management. According to statistics, the enterprises that have instituted the contract responsibility system as from the start of this year have very satisfactorily fulfilled the various norms set for their business operations. The net commodity sales receipts of the Bureau of Commerce of Shizuishan municipality rose 5.2 percent, compared with last year, expenses dropped 0.84 percent, profits increased 148.5 percent and its assigned rate of remitting taxes to the treasury was overfulfilled 7 percent. In their efforts to turn enterprises losses into increased profits, the commercial department at all levels, while giving consideration to varying conditions, increased quality

control of commodities, established better rules and regulations, energetically traced the occurrence of wastage, raised economic results and reduced the number of unprofitable establishments.

In August, when the State Council's "Urgent Notification Regarding Vigorous Action to Increase Revenue and Economize in Expenditures to Ensure a Basic Financial Balance for This Year" was transmitted, the Commerce Department of this autonomous region called on the commercial departments at all levels in several meetings to place the work of turning losses into additional profits into a prominent position for concentrated efforts, to investigate the establishments one by one to clarify the reasons for any losses and also put forward the following targets for the struggle to turn losses into gain: this year's original plan for net commodity sales proceeds by the commercial system of our entire region shall be exceeded by 10 percent and the profits to be achieved for the whole year shall be increased by 33.7 percent. Commercial enterprises shall reduce losses unauthorized by policy during the fourth quarter by 20 to 30 percent, compared with the corresponding period last year and supply and marketing enterprises by 11 to 20 percent. The number of units incurring losses shall be tentatively fixed at no more than 55 by the end of this year, a reduction of 20.29 percent compared with last year. The policy-authorized losses in enterprises dealing in foodstuffs and vegetables must be guaranteed not to exceed the annual plan norms, and every effort must be made to make greater contributions. At the same time, the enterprises that are to turn losses into gains shall do so with strict conformance with policies; they must not shift losses elsewhere, resort to deception and harm the interests of the consumers. To bring about the above-noted turning of losses into gains, the Commerce Department of this autonomous region has recently organized three work teams for thorough action among foodstuffs and catering establishments and grassroots supply and marketing cooperatives to assist the major enterprises which have incurred losses in their launching of relevant activities.

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CSO: 4006/187

DOMESTIC TRADE

ECONOMIC RESULTS OF COMMERCIAL ENTERPRISES DISCUSSED

Beijing SHANGYE KUAIJI [BUSINESS ACCOUNTING] in Chinese No 11, 10 Nov 83 p 26

[Text] Not long ago, the Commercial Finance Conference of the Research Society of Chinese Higher Institutions of Finance and Economics held its 1983 academic symposium in Harbin. There was earnest discussion of several problems in the improvement of commercial enterprises' economic results. We now excerpt below some of the viewpoints from that discussion for the sake of reference.

I. The Basic Concept of Economic Results

In academic circles now, there are some differing understandings of the scientific implications of economic results. The symposium came up with three formulations thereof: 1. The proportional relationship between labor consumption and expenses for holding funds, on the one hand, and benefits, on the other, or the proportional relationship between expenses and consumption, on the one hand, and income, on the other; 2. the comparison between social labor being utilized, realized commodity value and use value, or the comparison between the holding and consumption of labor, on the one hand, and income, on the other; 3. the results produced by economic activity, which are, macroeconomically speaking, the annually produced national income and which are, from an enterprise's standpoint, the total amount of profits and taxes realized annually. In their discussion, most comrades agreed with the third formulation.

II. Quality Criteria for Commercial Economic Results

Everyone believes that striving for the most advantageous ratio of expenses to income is the objective requirement of the law of value and the objective criterion for measuring economic results. Different social systems have their own quality criteria for economic results. In China, we should measure economic results by how much they benefit the construction of a distinctively Chinese form of socialism, by how much they benefit the accelerated growth of the socialist economy and by how much they benefit the enhancement of the people's material and educational living standards. In the area of commerce, we should have the following three criteria: 1. Correct implementation of state policy and the handling of affairs according to state plans; 2. enhanced quality of service; 3. striving for the most advantageous ratio of expense to income. To meet these requirements, an enterprise must strive for the goal of the "two mores" (more sales and more profit) and the "two lesses" (less holding expense and less consumption), which bring about the "two increases"

(increase in production and increase in income). Only in this way will there be total comprehension of economic results.

III. Standards for Economic Results

To enhance economic results, the Finance Conference must take this important measure in its work: Establish a system of indices centered on the enhancement of economic results that will comprehensively control the fixed quantity and quality of commercial economic activity. Out of the discussion came the suggestion to use the "two volumes" and the "five rates" as control indices. The "two volumes" are commodity sales volume and profit volume. The "five rates" are the gross profit rate, expense rate, other revenue-outlay rates (plus or minus), rate of expenses for holding circulating funds and rate of labor efficiency.

Participants in the discussion generally believe that we must proceed from different sides in assessing the quality of an enterprise's economic results. For its economic indices we can use the ratio of production costs to profits and taxes, the ratio of circulating funds to profits and taxes and the ratio of per capita profits and taxes. It is difficult to combine the various requirements and use a single comprehensive economic index by which to judge.

IV. Benefits From the Use of Circulating Funds

Everyone taking part in the discussion believes that we must increase the benefits from the use of circulating funds and that the key to doing so lies in accelerating turnover. Commodity funds make up the biggest share of circulating funds. In accordance with the cardinal principle of the cyclical turnover of circulating funds and with the present situation of great expenses for holding commercial circulating funds, slow turnover and inferior benefits, we should bring the management and use of commodity funds under comprehensive control in accordance with income, spending and reserves. Everyone also believes that research on the benefits from the use of circulating funds can start with specific enterprises. At the same time, we must pay attention to the macroeconomic effect on those enterprises and proceed in step with relevant macroeconomic reform. Participants in the discussion also exchanged views on the following questions:

Should we have planned management of the commodity funds of first-class and second-class stations that purchase and supply industrial goods or should we have management by quota (or limit)?

Some comrades still advocate planned management for the following reasons:

1. First-class and second-class stations have the task of regulating production, planning the market and insuring supply.
2. Existing enterprises have still not become completely independent economic entities, since they still suffer a fair amount of administrative interference.
3. Commodity targets set by the plan for commodity circulation are ordered from above and must be met.
4. According to the requirements of strict planned management, we can manage commodity funds well, and in actual work, the adequate supply of commodity funds to enterprises is a matter of implementation, not a drawback of the planned management system itself.

Other comrades advocate management by quota for three reasons: 1. Current objective conditions have already changed. For example, from the process of commodity circulation has emerged a buyer's market with a rich supply of goods. The commodity management system is being reformed, and the variety of planned commodities has gradually grown smaller. Loans to the circulating funds of enterprises jointly managed by the state and banks are determined by commodity turnover. With every enterprise substituting taxes for profits, each is bound to require stronger economic accounting within itself. They are all practicing management of commodity funds by quota. 2. Wholesale enterprises cannot undertake to store every commodity. 3. Wholesale enterprises are already qualified to manage by quota. For example, the internal managerial responsibility system for enterprises has gradually been established and perfected, laying an objective foundation for managing commodity funds by quota.

Everyone believes that socialist wholesale commercial enterprises should function as reservoirs but should be rational stockpiles. Commodity storage provided by the state should be separate from rotating stockpiles. Thus there can be planned management of commodities stockpiled by the state and of planned commodities, as well as management of revolving commodity stockpiles by quota.

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CSO: 4006/170

DOMESTIC TRADE

SUMMARY OF REN ZHONGLIN SPEECH ON STRENGTHENING MANAGEMENT

Beijing JINGJI RIBAO in Chinese 23 Nov 83 p 1

[Summary of speech by Ren Zhonglin 0088 0022 265]: "To Develop Individual Industry and Commerce We Must Have a Plan and Must Strengthen Management; When Ren Zhonglin Made a Speech for Office Heads of Each Area's Industry and Commerce, He Stressed: Strictly Control Cadres' and Workers' Family Businesses, Peddlers Without Permits Must Be Dealt With and Consolidated"

[Text] Ren Zhonglin, Head of the State Bureau of Industrial and Commercial Administrative Management, when recently making a speech to provincial, municipal and autonomous region industrial and commercial heads, stressed that there must be a plan and management must be strengthened for the development of individual industry and commerce.

So far this year, the development of industry and commerce has been fairly fast. Up to the end of June, in the entire country there were 4.707 million industrial and commercial enterprises, and 5.866 million entrepreneurs. Of these, in cities and towns there were 1.68 million industrial and commercial enterprises and 1.953 entrepreneurs, and in villages there were 3.09 million industrial and commercial enterprises and 3.917 million entrepreneurs. Compared to the end of last year, the number of people involved in individual industrial and commercial enterprises increased 44 percent in cities and 113 percent in villages. The development of individual industrial and commercial enterprises has replenished certain insufficiencies of state-run and collective economies, stimulated the market and been a convenience for the people. The situation, in short, is good.

After Ren Zhonglin discussed the above-mentioned situation, he said that from the viewpoint of the development of individual industry and commerce, in management there are a few problems that must draw the attention of individual industrial and commercial management departments at every level.

First, We Must Carry Out Investigation and Study Towards the Development of Industry and Commerce, Make a Plan for the Entire Situation, Strengthen Guidance and Guard Against Blindness. The previous stage in the development of individual industry and commerce was fairly concentrated in commercial trade, dealings in everyday goods and clothing were fairly large, and in all of individual industry and commerce, the proportion of commerce constituted

approximately 57 percent. But certain industries which are urgently needed for social and economic livelihood, such as the handicraft industry, the repair industry, the service industry, etc., have developed relatively slowly. In the future, the development of individual industry and commerce must consider the problem of rational structure, must strengthen work in every respect, and guide people to develop the repair and service industry a bit more.

Second, We Must Strengthen Management Work in Individual Industry and Commerce; Only Through Strengthening Management Can We Have Healthy Development. Under China's socialist conditions, the individual economy is necessary and beneficial as far as society is concerned. If we do not strengthen education and management, there will be a few people who will also engage in speculation and profiteering and other illegal activity. Therefore, we must combine support and management toward individual industry and commerce, give play to their positive role, limit their negative effect. We should not merely pay attention to one side while ignoring the other: the good must be encouraged and the illegal must be dealt with. Currently, in individual industry and commerce, a large group of advanced individual workers has emerged. We must allow their role full play, and we must urge on other individual workers to strive to serve socialist construction. Individual industrial and commercial administrative management departments must continue to coordinate tax collection departments to strengthen their work in collecting taxes. In those areas where conditions permit, we must as quickly as possible form individual workers societies.

Third, We Must Strictly Control the Families of Cadres and Workers Who Are Engaging in Individual Commercial Deals. Currently, there are a few cadres and workers who use the names of their families to receive a permit for individual business, when in fact it is themselves who are engaging in business. They abuse their power, illegally buy up goods that are in short supply and then turn around and sell them, to the extent that they use bank loans and the shop fronts, funds, transportation, equipment, etc. of state-run stores to privately do business. This type of behavior of seeking private gain at public expense and violating the law and discipline should not be allowed. Each area must carry out a consolidation for the families of cadres and workers that are engaging in individual commercial business, and handle them individually, differentiating between different circumstances. Families that are honest and abide by the law and who engage in legitimate business will be permitted to continue business; families that act on their own but in fact are run by cadres and workers must have their business permits revoked, and must be ordered to stop work; and those who use their authority to illegally acquire personal gain must be sternly dealt with.

Fourth, We Must Handle and Consolidate Peddlers Without Permits. Currently in the cities, there are numerous peddlers without permits. Some of them fraudulently purchase and rush purchase goods that are in short supply, and then turn around and sell them. Some rush about everywhere and set up stalls wherever it is convenient. They use pressure tactics in buying and selling, and they cheat and bully. Some pretend to be legitimate, and they deceive the masses. Thus, putting in order and consolidating peddlers without permits

is important work for maintaining social economic order. Because the circumstances of peddlers without permits are complex, work in putting them in order and consolidating them must be carried out under the leadership of each area's party committee and government. Relevant departments must be closely coordinated, comprehensively be brought in order, adopt the methods of combining dredging with outlawing, and deal with each case according to its different circumstances. Unemployed youth and idle personnel who are in accord with conditions must be allowed to apply and register, and be turned from being permit-less to possessing permits. Those with actual difficulties can be issued temporary permits. We must dissuade and outlaw workers who have jobs and students in school who are engaging in business without permits. We must resolutely ban other people who are detained in cities for a long time, and those engaging in speculating and profiteering must be dealt with according to the law.

12437

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DOMESTIC TRADE

ROLE OF SUPPLY, MARKETING COOPERATIVES IN RURAL COMMERCE CHANGES

Taiyuan SHANXI CAIJING XUEYUAN XUEBAO [JOURNAL OF THE SHANXI COLLEGE OF FINANCE AND ECONOMICS] in Chinese No 4, Aug 83 pp 24-26

[Article by Zian Tuyu [6929 0960 3842] of the Guangxi Hexian County Finance and Trade Office]

[Text] The party Central Committee has adopted a series of significant policies for readjustment and reform of agriculture since the 3rd Plenary Session of the 11th CPC Congress. There have been major developments in agricultural production and the rural economy. Enormous and profound changes have occurred in rural areas. These changes brought with them many new situation and changes in rural commerce work. Understanding and adapting to these new conditions and changes is a fundamental condition for doing good work in rural commerce. I feel that the main new conditions and changes in rural commerce are:

1. Major Changes in the Target of Services

Originally, the primary target of rural commerce work was the production team, especially in the procurement of farm and sideline products and in the supply of agricultural means of production. Due to the universal implementation of the output quota contract responsibility system, agricultural production currently is basically contracted to peasant household units, with a small portion contracted to small groups or individuals. This means that the labor and administration of agricultural production are basically carried out by household units. With this, the primary target of rural commerce work has changed from the original production team to the household. This brings about a series of changes in the required commodity types, specifications, methods of supply and so on. In the past, for example, when production teams purchased chemical fertilizers and farm chemicals, there were few units, large amounts and convenient procedures. Now, with purchasing by households, there are many units, the amounts are small and, moreover, must be in small packages or sold retail. In demand for farm machinery in the past, most production teams needed large-scale machinery. Now, the peasant households need small-scale convenient machinery and supplies of draft animals for motive power.

2. Major Changes in Work Tasks

Under the conditions of enormous changes in the rural situation, apart from doing good work in supply, marketing and adjusting inventories, organizing commodity flows and satisfying the people's needs in production and in their material and cultural life, rural commerce work must also undertake an extremely important task--bringing production by those administering agricultural production into the orbit of guidance by state plans. In the current distribution of the products of labor in agricultural production, apart from requisition and assigned purchase tasks for amounts to be turned over or sold to the state or deductions to be turned over to the collective as stipulated in the responsibility contracts, most of the remainder is handled by the households themselves. Following the development of production, the marketable percentage of the products of labor will continue to increase, and commodity production must be regulated and influenced by the law of value. This situation is suited to development of the forces of production in agriculture, and is beneficial for stimulation of the agricultural economy and for development of agricultural commodity production. It is possible, however, for deviations to appear in which there is a departure from the socialist direction and detachment from guidance by state plans.

In the past, our planned guidance of the administration of agricultural production primarily relied on administrative measures to issue plans level-by-level from the top down, stipulating crop types and stressing the area to be planted. This method cannot be carried out now. The units administering production have gone from being centralized to being dispersed, from the production team to the household in most cases. The units which administer production also have the right to decide on operations and planting. For this reason, we must strengthen commerce work and bring agricultural production into the orbit of state plans by using procurement plans for farm products, procurement contracts and measures for price regulation. Moreover, we must adroitly guide our actions, retain advantages and eliminate disadvantages, prevent capitalist deviations and promote the development of commodity production.

3. Major Changes in Supply and Marketing Relationships

As a result of increased agricultural production, and especially the appearance of large numbers of specialized households in rural areas, the percentage of marketable farm products has increased rapidly. The rural self-sufficient and semi-self-sufficient natural economy has been basically transformed into commodity production. There have not only been major changes in farm commodity mixtures, but great changes have also occurred in the relationships between production and marketing. In the past, there was a fear that there were not enough farm products available for sale; now, some products cannot be sold. For some products where supply did not meet demand in the past, there is now balanced supply and demand, or supply exceeds demand. There are overstocks of some products due to poor information, blocked channels, poor administration, no storage, or other reasons, and purchases have ceased. These changes in production and marketing relationships urgently require commercial departments to give full play to the functional role of commerce in regulating production and consumption, and to really learn how to do business.

4. There Have Also Been Changes in Administration and Service Patterns

The targets of services have changed, the required types of commodities and product types and specifications have change, and the amount of work has increased. This requires changes in business hours, network points, facilities, administration patterns and other areas to adapt to these changes.

This is especially true for the great increase in the number of specialized households in rural areas. They have undergone a division of labor and activities production and are developing toward specialization and socialization. We must strengthen the establishment of coordinative relationships between them and the related departments of society, and increase their reliance on the state. They require supplies of all types of services. They not only need services to supply seeds and seedlings, feeds and epidemic prevention, but also require supplies of economic information, market conditions, labor for transport, product marketing and other pre- and post-production services. This places new and increased demands on administration and services in rural commerce work. Rural commerce work must improve administration and service patterns to be able to promote the healthy growth of specialized households and encourage commodity production. Only in this way will it be possible for rural commerce work to be effective.

When doing research on the new conditions and changes in rural commerce work, we cannot overlook an obvious special characteristic of rural commerce work. This is the fact that peasants are commodity producers as well as consumers of industrial goods. They can purchase the means of production and livelihood they need only after they have sold the products they have produced. That is to say, they will have purchasing power only if commercial departments help them to develop commodity production and assist them in selling their products.

Rural supply and marketing cooperatives are the mainstays of rural commerce work. The main aspects of good rural commerce work is good work in supply and marketing cooperatives and fostering their role as the primary channel of economic circulation between urban and rural areas. How can we foster their role as the primary channel of economic circulation between urban and rural areas? I feel that we must now resolve several problems in supply and marketing cooperatives:

1. Accelerate the Pace of Reform in the Supply and Marketing Cooperative System

After readjustment of the relations of production in agriculture, the current supply and marketing cooperative system is very unsuited to the relations of production in agriculture. After they were placed under ownership by all the people, plans and norms for all items were handed down from top to bottom. Enterprises and employees all "ate from the big common pot" and held "an iron rice bowl," and lacked initiative. The peasants lost supervision of supply and marketing cooperatives and had no right to speak out on the quality of administration and services. There were no direct links of economic interest between the peasants and the supply and marketing cooperatives and "their hearts were not linked together."

The fundamental guiding ideology for reform in supply and marketing cooperatives is that "basic level supply and marketing cooperative should restore their character as cooperative commerce" and "strengthen the mass nature in organization, democracy in management and dynamism in administration." We must dare to have the courage to make reforms and to explore and perfect during continual reform.

2. Supply and Marketing Cooperatives Must Give Full Play to Managerial Flexibility in Patterns of Management

Rural supply and marketing cooperatives are responsible for the arduous tasks of linking up economic circulation between urban and rural areas, leading and assisting peasants to develop diversified economy and commodity production under guidance by state plans, organizing and arranging peasants' economic lives, and making good arrangements for rural markets; they must be managed as integrated economic bodies which are related to the interests of peasants, which develop commodity production for peasants and which provide production, technical and living services for peasants. For these reasons, there must be new breakthroughs in managerial patterns. A fairly good pattern for the current period is to implement various types of integrated economic operations:

Integrated Agricultural and Commercial Base Areas. These are base areas under joint management by supply and marketing cooperatives and specialized households for the production of single (tea, fruit, etc.) or multiple products. The cooperatives supply seeds and seedlings, fertilizers and technology, while the specialized households provide labor power. Capital is jointly invested, there is joint responsibility for profits and losses, and products are divided proportionally.

Operations Which Integrate Agriculture, Commerce, Production and Marketing. An integrated process of operations from production to sales is established by supply and marketing cooperatives and specialized households for a particular product. Each side has clear rights and duties in each link, with proportional division of (or responsibility for) and results of the operation, including profits (or losses).

Integrated Agricultural and Commercial Operations. These mainly involve integrated management of marketing links by supply and marketing cooperatives and specialized households for a particular product. The peasants supply the products and the cooperatives supply a portion (or most, or all) of the commercial capital. There is a proportional division of (or responsibility for) profits (or losses).

Operations Which Integrate Agriculture, Industry and Commerce. Supply and marketing cooperatives, specialized households and industrial enterprises establish integrated administration for a particular industrial raw material beginning with production and procurement, and going through processing to the final product, and on to marketing. The duties and responsibilities for each participant at each link are stipulated, and there is proportional division of (or responsibility for) the fruits of administration and profits (or losses).

Commissioned Sales. Supply and marketing cooperatives use their strong points of having widespread connections and being well-informed to sell farm and sideline products for the peasants and receive a small commission.

In addition, there are operations which integrate industry and commerce, two commercial enterprises or other arrangements. The interests of each side are linked together as a result of the integrated operation, their responsibilities are clear, and "their interests and hearts are linked together". Moreover, there are no changes in ownership systems in this type of integrated operation; there is voluntarism and mutual benefit; they are simple and easy to manage, and are beneficial for promoting development of economic diversification and commodity production; they aid the state in obtaining products; they favor mass supervision of supply and marketing cooperatives and close relations between agriculture and commerce; and they are advantageous for completion of purchase and sales plans in the supply and marketing cooperatives.

Based on the stipulations of state plans, supply and marketing cooperatives should also make full use of market mechanisms to actively develop the three types of farm and sideline products, as well as activities for negotiated purchasing and sales of type 1 and 2 products after completing unified purchase and requisition tasks. They should participate in market regulation and make circulation markets more dynamic.

3. Universal Application of the Farm and Commercial Contract System

Implementing the farm and commercial contract system is an arrangement in which supply and marketing cooperatives use contracts to guide peasants in developing commodity production and bringing the productive activities of peasants into the orbit of state planning. They are also a form through which supply and marketing cooperatives provide peasants with economic information and market quotations. Peasants produce according to signed contracts and need not worry about having sales outlets for their products. This is also an effective method for the state to obtain products and expand the planned purchase of farm and sideline products into all areas.

Agricultural and commercial contracts should be signed according to local conditions, differing because of product types, with many forms. There are, for example, contracts signed for assigned purchase for type 1 and 2 farm and sideline products, contracts signed for negotiated purchase of type 1 and 2 sideline products after production of the type 3 farm sideline products and other tasks are completed; there are also processing contracts. The time period covered by the contracts can be long or short. Some can be for a single production season for a particular product, or for a half-year, a year, or even several years. Regardless of the form or time period of the contract, however, all should adhere to the following principles: the content of the contract must be based on party principles, policies and state plans; there should be equality and mutual benefits with unanimity through consultation; there are definite legal constraints which clearly stipulate the obligations, rights and interests of both parties. Violation of the contract without cause will be penalized, with compensation for economic losses suffered by the other party.

4. Organize Transfer of Industrial Goods to Rural Areas, Satisfy the Needs of Peasants

There are 800 million peasants in China. Rural areas are the broadest market for industrial products. Speaking in terms of the peasantry, if we are not able to produce and organize even more marketable industrial products to exchange with the peasants for farm and sideline products, and do not satisfy the peasants' daily necessities, then the initiative of the peasants for developing commodity production will be stifled and discouraged. This can obstruct the development of commodity production in agriculture. On the other hand, we must pay attention to the current situation in which the peasants are holding on to their money and waiting to make purchases. This is a latent threat to market demand.

The question of transferring industrial goods to rural areas mainly requires concentration on three links at present: The first is disjointed production and marketing. The focus of industrial production should be rural areas. It should concentrate on serving the peasants, taking the production and living needs of peasants as its starting point and producing industrial goods suited to the needs of peasants. The second is to overcome disjointed wholesale and retail selling. Wholesaling of industrial goods is mainly administered by independent state-run commercial enterprises. There are many levels and links and a lot of wrangling. Commodities are slowly transferred downward. Furthermore, some areas practice departmental segmentation, regional blockades and blocked channels. For these reasons, many industrial goods never reach rural areas. The industrial products wholesaling system must be reformed to establish multiple channels, reduce the number of levels and links, set up lower-level wholesale points, increase the difference between wholesale and retail for certain commodities, lengthen periods for paying up accounts for some commodities, and so on. In summary, we must think of ways to encourage retail sales through administration, policies and economic interests. The third is that we should put into effect administrative responsibility systems based on contracts within supply and marketing cooperatives in order to motivate the initiative of enterprises and employees to expand the administration of industrial products.

12539

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FOREIGN TRADE

IMPORT LICENSING REGULATIONS PROMULGATED

OW261358 Beijing XINHUA in English 1218 GMT 26 Jan 84

[Text] Beijing, 26 Jan (XINHUA)--New provisional regulations on the issuing of import licenses were promulgated by the State Council on 10 January to aid management of China's foreign trade.

Licenses must be obtained for all goods to be imported, the regulations say, except when otherwise provided by the state. Import orders shall be handled by state-approved import corporations, which must carry out transactions according to the approved catalogue of import commodities.

Import licenses will be issued by the Ministry of Foreign Economic Relations and Trade or units authorized by the ministry.

Units or enterprises without authorization are not allowed to handle import business, the regulations state.

According to the new provisions, import licenses will not be needed for:

--goods which fall within limits set in agreements and contracts on processing or assembling foreign materials, compensation trade and construction projects which are approved by competent authorities.

--articles worth less than 5,000 U.S. dollars on the international market bought abroad with official approval by units in scientific research, education, culture, sports, medicine and health.

--and urgently-needed parts and accessories for machines, meters and instruments which are bought by factories at a price lower than 5,000 U.S. dollars with official approval.

Goods under state restriction may only be imported with the approval of competent authorities and licenses obtained against the approval documents.

Orders for goods needed by Chinese-foreign joint ventures must be placed through foreign trade corporations if China is unable to supply them. Some orders may be placed by the joint ventures within the range of their agreed powers.

Goods imported by special economic zones for use within the zones shall be handled according to the regulations of the special economic zones concerned. But if those imports or goods produced by the special economic zones are shipped to other areas of the country, provisions of the new regulations must be followed.

Import licenses will not be issued for:

--goods whose import is banned or temporarily halted by state decision.

--imports which do not conform to the state's foreign policy.

--goods that do not conform to the provisions of bilateral trade or payment agreements.

--medicine, food, animals, plants, agricultural produce, animal by-products and aquatic products that fail to meet hygiene or quarantine standards set by health or agricultural, animal husbandry and fisheries departments.

--and other goods harmful to the interests of the state or procured through illegal dealings.

An import license is valid for a period of one year, the regulations say.

Violations of the regulations may be punished by confiscating the goods imported, by orders to return the goods, or by fines and other penalties as provided in China's customs laws and regulations.

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FOREIGN TRADE

THEORETICAL, POLICY ISSUES ON CHINESE-FOREIGN JOINT VENTURES

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 5, 1983 pp 19-22

[Article by Chu Baotai [0443 0202 3141]: "Several Theoretical and Policy Issues Concerning the Establishment of Chinese-Foreign Joint Ventures"]

[Text] Utilizing as much foreign funds that are available to us as possible and absorbing on a broad scale advanced technology and scientific management that are available in the world to serve China's socialist construction is a major strategic policy adopted by the CPC Central Committee. Giving priority to absorbing direct foreign investment to establish joint ventures in utilizing foreign funds is a correct decision. Since China promulgated the law on Chinese-foreign joint ventures, 83 joint ventures have been established in China (35 are in special economic zones) with a total investment of \$286 million (\$140.58 million are provided by foreign investors). This new development has aroused some questions among the people, such as: What is the nature of Chinese-foreign joint enterprises? Can such enterprises exist and develop in a socialist society like China where a planned economy occupies a dominant position? To what degree will they develop in China? And how long will they exist? These are all new issues and must be studied by all of us.

I. The Social Nature of Chinese-Foreign Joint Enterprises

Some people call Chinese-foreign joint enterprises "foreign enterprises." This is a misunderstanding. The nationality of an enterprise set up by several investors from different countries should be determined by the legal jurisdiction that the enterprise is subjected to. In other words, we should judge it by the country the enterprise is located in and by the government and laws that control the enterprise. We should not judge it by the ownership of capital. Chinese-foreign joint enterprises are in the territory of China and controlled by the government and laws of China. Therefore, we cannot call them foreign enterprises. They are Chinese enterprises.

Even if we do judge the nationality by the ownership of capital, joint ventures still should not be called foreign enterprises. Chinese investors hold more shares than foreign investors in most enterprises. An analysis of the first 28 joint enterprises established in the inland area shows that Chinese

investors own more than 50 percent of the shares in 16 enterprises, about 50 percent in 11 and less than 50 percent in 1. An enterprise where foreign investors own more than 50 percent of the shares should still be called a Chinese enterprise, because the ownership of capital can be changed by selling and transferring, but the jurisdiction of the host country cannot be changed.

Some people call joint ventures capitalist enterprises. This is also a misunderstanding. The social nature of an enterprise should be determined by the social nature of the ownership of its means of production. Capitalist enterprises generally refer to enterprises whose means of production and profits are privately owned and whose sole objective is to increase the value of capital. Most Chinese investors in joint ventures are state enterprises. A few are collective enterprises. There are no private investors. As far as the objective of joint ventures is concerned, foreign investors want to increase the value of their capital; Chinese investors use their profits to satisfy the people's demand for immediate and long-term interests. Such enterprises are essentially different from capitalist enterprises and the national capitalism of capitalist countries. They are a new type of enterprise that combines capitalism and socialism. It is a component of our diversified socialist economy.

II. The Conditions for the Existence of Chinese-Foreign Joint Ventures

Since joint ventures are compatible with the conditions of the market economy, some people doubt the possibility of their existence and development in a socialist society where the means of production are publicly owned and the planned economic system occupies a dominant position in production and circulation. Do we have or can we create conditions for the development of joint ventures? Are planned economic activities compatible with free enterprise activities? Can we let joint ventures operate in accordance with the market law of value under the guidance of the state plan?

There is no denying that the planned economic management system is very different from the market economic system. However, they are not absolutely opposed to each other. They supplement each other under the condition that commodity production and exchanges exist. Since the founding of our country--especially during the periods before the three major transformations were carried out following the country's founding and after the policy of opening up to the outside world and invigorating the domestic economy was set forth and implemented at the end of 1978 by the 3rd Plenary Session of the Central Committee after the 11th CPC Congress--we have considered a planned economy the key and a market economy a supplement and combined the regulation by plans and the regulation by market forces. State enterprises always sign production contracts with consumers first and then include them in state plans no matter whether their products are to be transferred by the state under a unified plan or be sold by themselves. This is the principle of "setting production quotas in accordance with sales" in the planned management system of our country. The state only places orders and issues command plans for a small number of products. Judged from the links of commodity circulation, market regulation has become increasingly important. As far as the price-management system is concerned, the phenomenon of overcentralization still exists and the law of

value still cannot be fully reflected. With regard to these problems, the state is now adopting measures to conduct reforms step by step. Such an environment and conditions are basically compatible with the existence and development of Chinese-foreign joint ventures.

Establishing joint ventures can also be combined with the development plan of the national economy. The fields of foreign investment, the products of joint ventures, the amount of investments and the scale of production and operations are all strictly controlled by state plans, so that the operations of joint ventures can be included in the development plan of the national economy. The operations of joint ventures are carried out by contracts so they can practice independent accounting, assume sole responsibility for their profits and losses and gain reasonable profits through effective management. Such joint ventures have the following advantages: 1. Foreign investors directly engage in the management and personally take the risks involved. They cannot regain their capital and interest unless their enterprises are profitable. The state will not be held responsible for their debts. After contracts expire and foreign investors withdraw their shares, joint ventures will then become state enterprises of our country. 2. Once a Chinese enterprise is jointly managed by foreign investors, its ownership will change and so will its practice of "eating out of the same big pot." The enterprise will then have to assume sole responsibility for its own profits and losses and pay taxes to the state. The portion of profits belonging to Chinese investors belongs to the state and can be used by the investing units within 5 years. If the enterprise loses money, the state will not be held responsible for debts other than the original investment according to the regulations of the limited liability system. 3. The state guarantees the autonomy of joint ventures in inviting applications of hiring, dismissing and firing employees and in determining their own wage standards, wage forms and punishment systems. This helps enterprises break the iron rice bowl system and arouses the enthusiasm of the staff and workers. This enables everyone involved to realize that only by working together and helping each other can they do a good job in management and ensure their own interests. 4. In order to improve the effectiveness of their own investments, foreign investors may import new equipment and technology which probably cannot be imported by other means. This can help our original enterprises transform their technology and improve and update their products. 5. Joint ventures can help our enterprises improve management and product quality and enter international markets. Most of our enterprises have never taken part in international competition and lack experience and knowledge in this regard. After establishing joint ventures and acquiring the authority to engage in imports and exports, Chinese personnel, with the help of foreign managers, can gradually master the knowledge of managing international businesses. 6. Joint ventures can bring along the development of domestic enterprises. After a joint venture is established, it will look for local units in our country to help in processing and acquiring material resources. Therefore, establishing one joint venture can spur many other enterprises to develop. A host of facts concerning the joint ventures already established show that this kind of economy not only can develop in China but also promote the development of China's national industry.

III. The Limitation of the Development of Chinese-Foreign Joint Ventures

Is there a limit to the development of joint ventures? In what fields should such enterprises be established? How many should be established? Should the scale of such enterprises be larger or smaller?

First of all, we must affirm that joint ventures as an economic factor can only occupy a subordinate position in a social economic structure where the state-run economy and the collective economy occupy a dominant position. It must play a useful, supplementary role in the development of a socialist economy. This is a general principle. In order for joint ventures to function as a useful supplement, we must set restrictions on the fields in which foreigners can invest, the number of such enterprises that can be established in each industry and region and the scale of such enterprises. The key problem is to what extent and in what way these restrictions should be applied.

The fields of foreign investment should be determined by the different needs of the state in different stages on the principle that they do not conflict with national security and the national economic development plan. For example, among the 83 joint ventures already established, there are 18 light industries, 11 machinery industries, 9 electronics and electric appliance industries, 7 pharmaceutical and chemical industries, 4 textile industries, 4 food industries, 16 tourist hotels, 4 agricultural, animal husbandry and planting industries and 5 building and commercial industries. There is no mining industry. Allowing foreigners to invest in the mining industry is compatible with our current needs. The head office of the China Coal Industry Development Co is now contacting the Western Oil Co of America on the Pingshuo open pit coal mine in Shanxi Province. This project of joint management has drawn great attention and encouragement from the state. At present, we should emphasize the following projects in developing joint ventures: 1) Projects which can import advanced technology and skills urgently needed by our country, develop new products (including new materials and major parts) and save energy resources; 2) projects which can help other enterprises in the same industry to carry out technical transformation; 3) natural resource development projects which need large amounts of investments and imported technology, especially projects concerning offshore oil and coal exploitation; and 4) projects which can develop a new variety of products for export, open new export markets and produce really competitive products and products which our country needs to import in a large amount for a long time to come. Foreign investments are strictly prohibited in the fields of war industry, communications, aviation and coastal and inland water transportation where state secrets may be easily leaked.

With regard to the number of restrictions, some people suggest that establishing one or two in each industry, province and city will be sufficient. This view can only be applied to "experimental work in selected units." It does not conform to the principle of the central authorities that we should "be bold in carrying out the work of joint ventures in order to race against time." Absorbing advanced technology to reform the national economy, improve economic results and develop the national economy should be the main objective of developing joint ventures. This objective cannot be attained if we only establish

a small number of joint ventures. But, if we establish too many, they will probably surpass their subordinate position. What is the proper number? At present, we can only approach this question on a theoretical basis because we do not have a practical basis. We can assume that there are more than 500,000 enterprises including 380,000 industrial enterprises and other enterprises in the fields of agriculture, animal husbandry, sideline production, fishery, medicine, public health, commerce and tourism. If we have 25,000 joint ventures, or 5 percent of all enterprises, in the peak development period, we still can maintain the subordinate position of joint ventures. Within this limit, we can develop as many as possible.

Some people worry that joint ventures will form a monopoly on the market if their scale is too big. They suggest that we should resort to legal procedures to place restrictions on their scale. Cases of large enterprises monopolizing domestic and international markets exist both in history and reality. Some developed countries have formulated laws to oppose monopoly, forbidding some large companies from joining efforts in monopolizing markets by cornering, dumping and controlling prices. The reform of our economic management system also opposes monopoly and encourages competition. Most of the 83 joint ventures established in our country are medium and small enterprises. Only a few have over \$10 million of investment, such as the Changcheng and Jiannguo hotels in Beijing and the Fukesi Pineapple Co, China Xunda Elevator Co and Guangmei Food Co in Shanghai. Even these can hardly be called large enterprises compared to our backbone state enterprises. Since most joint ventures are oriented to international markets, they will not establish a monopoly on domestic markets. As for international markets, they still do not have the ability to form a monopoly. There are a few joint enterprises which sell products mainly to domestic markets. They have a higher level of production technology and management. A monopoly by these enterprises can also be prevented by regulating markets with plans because the proportion of shares held by China is higher in these enterprises. Take the China Xunda Co, for example. Thanks to imported Swiss technology and good-quality products, it is now flooded with orders. Because Chinese own 75 percent of the shares in this company, most profits belong to China. In the future, we should adopt joint management in relatively well-managed enterprises but not the best enterprises in our country, because we want to train our best state enterprises to become competitors of joint ventures. This is probably a better way to prevent a monopoly by joint ventures than issuing orders.

IV. The Time of the Existence of the Chinese-Foreign Joint Ventures

There are two questions on the time of the existence of joint ventures: One is how long can a single joint enterprise exist in our country; the other is how long can joint enterprises exist as a social and economic factor in our country. These two questions are related but not the same.

The period that a single joint venture can exist, namely the joint operation period, has not been limited by state law. Among the joint ventures already established, China Xunda Elevator Co has the longest contract period--25 years. The operation periods of different joint ventures should vary based

on the difference in their operations. The operation period should be set longer for those enterprises which have large investments but low profits and slow capital recovery and shorter for those enterprises which have little investment but high profits and fast capital recovery. This is done on the principle that both contracting parties can make reasonable profits. Judged from an article in the law on joint ventures that allows joint ventures to apply for income tax deductions and exemptions only after they operate for 10 consecutive years in China, the state does not want the operation period to be too short. In fact, it is also impossible for joint ventures to mature in a short period. The law on joint ventures allows the extension of contract periods. Most existing contracts can be extended. Judged by the case of China Xunda Elevator Co, a single joint venture can exist for a maximum of 50 years. During this period, some old contracts will expire, and new contracts will be signed. Therefore, calculated on this basis, joint ventures will exist as a social and economic factor for at least 100 years. In other words, joint ventures will exist for quite a long time to come.

Some people worry that letting joint ventures which have foreign capital exist for such a long time will affect our country in transferring to communism. We believe that international cooperation will exist for a long time. We need international cooperation in the building of socialism. After socialism is built and when it is time to transfer to communism, we will still need the open door policy. Since the bourgeoisie formed a unified world market in which all countries and nationalities depend on each other, international cooperation has further developed this relationship from commodity exchanges to mutual investments. The long-time coexistence of countries with different social systems enables trade and investment activities to go on for a long time between countries with different social systems. International joint ventures began in the late 19th century and early 20th century. This kind of cooperation began to develop after the 1950s. This comprehensive form of operation in the fields of production and marketing has promoted scientific and technological exchanges between different countries and nationalities and promoted the development of productive forces in society. It has also inevitably increased the value of capital and spread bourgeois ideology. However, so long as we adopt their strong points, avoid their weaknesses and allow them to coexist with our state-run economy in order to promote each other under the guidance of state policies, laws and plans, the development of our socialist economy will be substantially enhanced.

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FOREIGN TRADE

EXPERIENCES OF SHENZHEN ECONOMIC ZONE DISCUSSED

Guangzhou YANGCHENG WANBAO in Chinese 1 Dec 83 p 2

[Interview by Ian Weiwen [3382 0251 2429] with economist Qian Jiaju [0578 1367 7467] on successful experiences of the Shenzhen Special Economic Zone--date and place not given]

[Text] The noted economist, Prof Qian Jiaju, visited Guangdong to give lectures not long ago. During his stay in Guangdong, he made a short trip to inspect the Shenzhen Special Economic Zone [SEZ]. After the inspection, Professor Qian said the Shenzhen SEZ has made great progress and created many unexpected good experiences after years of exploration and practice, especially under the guidance of the SEZ construction principles of "handling new things in new ways and special things in special ways, maintaining our consistent stand and adopting all new methods" set forth by Comrade Hu Yaobang during his inspection of Shenzhen. The Shenzhen SEZ has implemented a labor contract system in individually financed enterprises and joint ventures. Since last year, it has implemented a labor contract system and a wage system based on the principle of to each according to his work among all newly hired workers in state-run enterprises and establishments. These experiences of the SEZ, especially its experience in capital construction, are worth studying by other areas.

The Successful Experiences of the SEZ Are Our Valuable Assets for Carrying Out the Four Modernizations

Professor Qian held that the SEZ, with which our country is experimenting, is in essence diversified state capitalism under the control of the socialist economy, because it has enterprises of different natures such as individual and joint investments. Despite this fact, all enterprises are controlled by the socialist economy. This is because our country is practicing a socialist economy and the SEZ is not excluded from the socialist system but is part of our socialist economy. Therefore, the successful experiences of the SEZ are our valuable assets for carrying out the four modernizations. As a socialist special economic zone, the major tasks of the SEZ are transferring advanced foreign technology and managerial skills and, at the same time, developing a local economy and improving the material and cultural living standards of the local people. Furthermore, it may also discover a new road for carrying out modernization. Its good experiences may and should

be publicized in the inland areas. For instance, individually financed enterprises and joint ventures in the SEZ are manufacturing goods for export. To compete on international markets, such enterprises should not only have advanced technology but also scientific management. They should also have high economic efficiency; otherwise, they cannot compete. This is bound to force the SEZ to break through the numerous old frames now being used in inland areas and create a set of effective good experiences for running the economy in accordance with economic laws.

Current Experiences of the SEZ in Capital Construction Are Worth Promoting

Professor Qian said that the current experiences of the Shenzhen SEZ are worth studying by inland areas. He said a salient feature of capital construction in the SEZ is that it has higher economic results and more speed compared to inland areas. The reason the SEZ can make such achievements is that it has adopted a whole set of new managerial methods--namely, comparing and appraising engineering designs, inviting bids on construction projects and establishing economic contract systems at every level of all construction units. Comparing and appraising engineering designs can help find the best designs available to prevent waste caused by irrationality and errors in design. Inviting bids on construction projects can overcome the old means of distributing construction assignments through administrative channels and encourage enterprises to compete with each other by lowering construction costs and shortening the construction period to win the bid. Since contracted units must fulfill their contracts, enterprises will feel pressure inside and be forced to continuously improve their internal management. Establishing the economic contract responsibility system at all levels of construction units, rewarding those who finish their work early and punishing those who delay their work can eliminate the original practice which allowed all cadres, no matter how much work they had done and how well they had done it, to "eat out of the same big pot." It can also better implement the principle of to each according to his work and fully arouse the enthusiasm of staff and workers for work. These managerial methods have enabled capital construction in the SEZ to achieve high speed, high economic results and high quality. The average time it takes to build a one-story frame for high-rises in Shenzhen is 5 to 6 days, and they sometimes can be built in 3½ to 4 days. This surpasses the standards of the Hong Kong construction industry. The municipal 302 Construction Team (the former engineering corps), which is contracted to build the Shenzhen Heliport, has completed 27,000 square meters of foundation ground work in only 26 days. It used to take 2 to 3 months merely to do the preparation work for such a project. The economic results of Shenzhen's construction are extremely remarkable. According to statistics, the construction cost for all projects over 1 million yuan in Shenzhen has been reduced by about 15 percent and their construction period shortened about 25 percent on average, while their construction quality has been guaranteed. Shenzhen has also carried out capital construction in strict accordance with capital construction procedures. In other words, it does not start the construction of buildings unless it first guarantees "five opens and one level" (namely, opening roads, water and electricity supply systems, airports and telecommunications systems and the leveling of land). It seems slower to carry out construction in this way, but it actually is a lot faster than blindly seeking higher speed. Besides, it can also prevent waste in many ways.

Professor Qian said that the biggest problem of capital construction in inland areas is generally poor economic results. Other problems are: 1) a long construction period, much longer than in the First 5-Year Plan period; 2) low efficiency after completion; and 3) high construction costs. Among the major causes of these problems is the practice of assigning construction projects to designated construction units by higher levels. There is no competition and public bidding. There is no implementation of economic contract responsibility systems at all levels of enterprises. Since the state is taking all the responsibility, everyone has an "iron rice bowl" and "eats out of the same big pot." How can there be good economic results? It is nothing new for a capital construction project in inland areas to take 5 to 6 or even 7 to 8 years to complete. Why do they not study and adopt the measures of the Shenzhen SEZ?

Boldly Practice Under the Prerequisite of Adhering to the Four Basic Principles

Professor Qian also said that some people think that adopting the management system that includes inviting public bids on construction projects and signing contracts with construction units may trigger such problems as the middle-man's exploitation. As a matter of fact, it is possible to encounter some problems in the course of enacting concrete operational and management reform. We should pay attention to these problems and try to solve them. When judging whether a concrete reform should be carried out or abolished, we should mainly see whether it will improve economic results, increase workers pay, be conducive to the overall situation of socialist modernization or violate the four basic principles and government policies and regulations. If it proves feasible, we should go ahead with it boldly. As long as it is favorable for the national economy and the people's standard of living, we should allow it to exist even if it has some deviations which can be corrected. If we are afraid to make mistakes, we will be unable to create new experiences. The Shenzhen SEZ has created many good experiences in this regard which many people have not heard of or understood. From now on, we should strengthen our propaganda work to quicken the tempo of popularizing the successful experiences of Shenzhen.

12302

CSO: 4006/162

FOREIGN TRADE

VOLUME OF CONSTRUCTION PROJECTS ABROAD INCREASES

OW241213 Beijing XINHUA in English 1152 GMT 24 Jan 84

[Text] Beijing, January 24 (XINHUA)--China signed 424 contracts for construction projects and labor service cooperation abroad in 1983, Huang Wenjun, spokesman for the Ministry of Foreign Economic Relations and Trade, said today.

The contracts were worth 910 million U.S. dollars, a rise of 80 percent over 1982, he said.

China now contracts construction and labor services in more than 50 countries and regions, he said, including oil-producing countries in the Middle East and North Africa, Rwanda, the Yemen Arab Republic, Burundi, Nepal and Somalia.

In 1983, he said, contracts for the establishment of 18 joint ventures were signed with firms in 13 countries and regions, mostly in the third world. Some of the joint ventures have already gone into operation, while preparations are still underway on others.

China is now negotiating with a number of countries on cooperation in developing fisheries, forests and minerals, Huang said.

Fourteen international economic and technical cooperation companies were set up in China last year, bringing the total to 42, he added.

CSO: 4020/062

FOREIGN TRADE

BRIEFS

EXPORT FAIRS--Beijing, 3 Jan (XINHUA)--China will hold 17 export mini-fairs this year in addition to the two regular sessions of the Guangzhou export commodities fair, the Ministry of Foreign Economic Relations and Trade announced here today. The fairs were held in Beijing, Shanghai, Nanjing, Guangzhou, Hangzhou and Suzhou. Commodities on show will include textiles, silks, animal by-products and arts and crafts. The fairs will be sponsored by China's specialized import and export corporations. [Text] [Beijing XINHUA in English 0707 GMT 3 Jan 84 OW]

NONFERROUS METALS IMPORT-EXPORT FIRM--Beijing, 28 Jan (XINHUA)--The China Nonferrous Metals Import and Export Corporation was inaugurated at a ceremony held here today. The new state-owned corporation will cooperate with foreign firms in joint ventures, compensation trade, processing with supplied materials and technical cooperation. It will also import equipment and technology and sponsor technical exchanges, according to general manager Li Liming. China has the world's largest reserves of tungsten, tin, antimony, zinc, titanium and other metals. It also has rich deposits of lead, nickel, mercury and molybdenum. [Text] [OW281228 Beijing XINHUA in English 1150 GMT 28 Jan 84]

COAL EXPORTS--Beijing, 20 Jan (XINHUA)--China exported 6.51 million tons of steam coal, coking coal and anthracite in 1983, according to the China National Coal Import and Export Corporation (CNCIEC). Major importers of Chinese coal in 1983 were Japan, the Democratic People's Republic of Korea, Bangladesh, Belgium and the region of Hong Kong and Macao, CNCIEC said. Japan imported 3.68 million tons and Korea, 2.05 million tons. China exported more than 6.4 million tons of coal in 1982, CNCIEC added. [Text] [OW201248 Beijing XINHUA in English 1207 GMT 20 Jan 84]

CSO: 4020/61

TRANSPORTATION

PRC EXPANDS CONTAINER FREIGHT TRANSPORT SERVICE

OW281216 Beijing XINHUA in English 1200 GMT 28 Jan 84

[Text] Beijing, January 28 (XINHUA)--China's transport services handled 4,656,000 containers carrying 6,277,000 tons of cargo in 1983, today's "ECONOMIC DAILY" reports.

This represents a rise of 1,740 percent over 1978, the paper says.

China last year opened container services to Europe, bringing its total number of container shipping lines to 18.

The country's ocean-going fleet includes over 100 container carriers, semi-container freighters and multi-purpose carriers.

Nine Chinese ports opened to international container services in 1983. In addition, 31 railway container service stations were set up, making a total of 211 in 27 provinces, municipalities and autonomous regions.

Last year, China established three international container truck service corporations, helping smooth transport between ports and inland cities. Container freight carried by trucks accounted for 68 percent of all freight in the North China port of Tianjin as against only 20 percent in 1982.

The container services helped improve economic results, the paper says. Damage rate to glass electron tubes dropped from 25 percent to 8 percent last year, saving about 2,400 yuan (1,200 U.S. dollars) per ton of goods transported. Damage to plate glass dropped from 8 percent to 2 percent, for a saving of more than 360,000 standard cases.

CSO: 4020/062

TRANSPORTATION

SURVEY ON BEIJING-TIANJIN SUPER HIGHWAY TO START

OW241359 Beijing XINHUA in English 1250 GMT 24 Jan 84

[Text] Beijing, January 24 (XINHUA)--A detailed survey will soon start for the super-highway planned to be built between Beijing and the sea harbor of Tanggu via Tianjin, according to the Ministry of Communications.

The 151.6-kilometer-long four-lane turnpike will allow a maximum speed of 120 kilometers per hour. It is designed to alleviate strains on the overcrowded Beijing-Tianjin-Tanggu highway.

The existing road, 166.2 kilometers long, is now often snarled with tractors, bicycles, animal-drawn carts and pedestrians. A trip takes four to five hours. The new super-highway will cut this to about two hours.

A proposal for building the super-highway was put forward by highway department engineers last year. It will require an estimated investment of 500 million yuan (about 250 million U.S. dollars). Part of this will be financed by the Chinese Government and the rest to be raised by seeking foreign investment.

Another new super-highway from Guangzhou to the nearby special economic zones of Zhuhai and Shenzhen has also been proposed. The project is now under consideration.

CSO: 4020/062

TRANSPORTATION

NEW SHIP ON SHANGHAI-HONG KONG MAIDEN VOYAGE

OW211918 Beijing XINHUA in English 1645 GMT 21 Jan 84

[Text] Shanghai, January 21 (XINHUA)--A new passenger and cargo ship left Shanghai today for Hong Kong on its first trial voyage.

The 14,800-ton "Jinjiang" can carry 213 passengers and 9,000 tons of cargo. Its facilities include a swimming pool, a cinema, a library, a tennis court and a dance hall.

The ship, the third of its kind on the Shanghai-Hong Kong route, is scheduled to go into its official service on February 15. The ships will then make six regular runs per month, up from the current four.

The "Jinjiang" was bought by the Shanghai Jinjiang Shipping Company in March 1983 from the America World Line (Asia) Inc. Ltd. of Hong Kong under a compensation trade contract. Earnings from its services over the next five years will be used to compensate the Hong Kong company for the cost of the ship, a spokesman for the Jinjiang company said. The ship will then be owned by the Jinjiang company.

Satellite communications equipment will also be installed on the ship, providing telephone and telegram services to all parts of the world, the spokesman said. The "Jinjiang" will arrive in Hong Kong on January 24.

CSO: 4020/062

TRANSPORTATION

TRANSPORT SERVICES TO BE EXPANDED DURING SPRING

OW031442 Beijing XINHUA in English 1432 GMT 3 Jan 84

[Text] Beijing, January 3 (XINHUA)--China will expand air, bus, rail and ship services during the Spring Festival period, transport officials said here today.

The Spring Festival, also called the Lunar New Year, is the major traditional holiday in the country. It falls on February 2 this year, and many people will return to their hometowns to visit relatives and friends and attend family reunions from mid-January to early March.

During the 40-day long busy transport season from January 13 to February 21, an estimated 600 million passengers, 80 million more than the figure for last year's Spring Festival period, will be transported.

Li Senmao, vice-minister of railways, said his ministry will add 41 passenger expresses and 365 local passenger trains daily while running well its existing railway services in order to carry some 131 million passengers in the season.

CAAC plans to increase air services on a dozen air routes including flights to and from Beijing, Guangzhou, Hong Kong, Lhasa, Shanghai and Urumqi, according to Guo Hao, deputy director-general of the Civil Aviation Administration of China [CAAC].

Wang Zhanyi, vice-minister of communications, told XINHUA that his ministry will add more than 20,000 runs of long-distance bus services and increase ships on coastal waters and inland waterways each day during the period.

In a circular, the State Council urged all provincial, municipal and regional governments to strengthen leadership over transport work to ensure the safety of passengers and improve services.

CSO: 4020/062

TRANSPORTATION

BRIEFS

SHANXI RAILWAY COMPLETION--A railway section between Cishan and the north of Changzhi, which is part of the Handan-Changzhi Railway, was completed and went into operation on 1 January 1984. After the completion of this 171.88 km-long section, the whole Handan-Changzhi Railway line has been joined. This railway, linking up with the Taiyuan-Jiaozuo Railway and the Beijing-Guangzhou Railway, is a route for accelerating coal export from Shanxi Province. It will play an active part in expediting the development of the energy and heavy chemical industrial base in Shanxi Province and in promoting economic development in Shanxi, Hebei, and Henan Provinces. [Text] [Taiyuan SHANXI RIBAO in Chinese 2 Jan 84 p 1 SK]

SHANXI RAILWAY BRIDGE--A 451-meter-long and 25-meter-high railway bridge situated in Hengding, south of Pingding County in Shanxi, was completed on 22 December. This is the largest railway bridge in north China. Completion of the bridge will provide great convenience for the shipping of coal from the Guishigou colliery, whose annual capacity is 3 million tons, to other places. [Text] [Taiyuan SHANXI RIBAO in Chinese 25 Dec 83 p 3 SK]

SHANGHAI LONG-DISTANCE BUS ROUTE--The new 850-kilometer long-distance bus route between Shanghai and Fujian was inaugurated on 1 January. The first passenger bus from Shanghai arrived at the terminus at the seat of Fuan County, Fujian, on 2 January. This route is the longest of its kind from Shanghai, which now operates 46 long-distance bus routes totaling more than 11,000 kilometers and linking up with more than 130 counties, cities and major towns in Zhejiang, Jiangsu and Anhui. [Summary] [Shanghai City Service in Mandarin 1100 GMT 2 Jan 84 OW]

PASSENGER PLANE IN SERVICE--Xi'an, 24 Jan (XINHUA)--The first passenger plane ever produced in China went into service here today and will fly to Shanghai tomorrow morning. The two-engine "Yun-7," produced by the Xi'an Aircraft Manufacturing Company in Shaanxi Province, can carry 48 people and fly at a speed of 460 kilometers per hour, a company spokesman said. The plane can fly as far as 1,900 kilometers without refueling. The plane was delivered today to the Civil Aviation Administration of China and will be used by the C.A.A.C. Shanghai Regional Administration. The "Yun-7" has already gone into continuous production the spokesman said. [Text] [OW241915 Beijing XINHUA in English 1500 GMT 24 Jan 84]

GENERAL

GUANGDONG SYMPOSIUM DISCUSSES SOCIALIST REFORM

Guangzhou NANFANG RIBAO in Chinese 28 Nov 83 p 4

[Article by Fan Ying 5400 539] from the column "Theoretical Trends":
"Approach Issues Concerning Socialist Reform--Guangdong Provincial Society of Scientific Socialism Holds Symposium"

[Text] The provincial society of scientific socialism recently discussed issues concerning socialist reform. I will now briefly introduce the major viewpoints raised at the discussion.

I. Why is it necessary to conduct socialist reform? Comrades participating at the discussion held: 1. Socialist reform is an inevitable demand of the movement and development of basic contradictions in a socialist society. Socialist relations of production basically accord with and spur the development of social productive forces. However, contradictions, sometimes serious ones, do crop up between socialist relations of production and the rapidly developing productive forces. Therefore, continuously and voluntarily conducting social reform and regulation is an inevitable reaction of the nature of a creative socialist society. 2. Socialist reform is a stepping stone for a socialist social system to gradually switch from imperfection to perfection. The imperfection of the socialist system is an unavoidable historical phenomenon in the process of practicing socialism. People can accelerate the continuous improvement of the socialist system by continuously and voluntarily conducting reforms to eliminate vestiges of the old society, change imperfect parts of the socialist system and gradually adapt socialist practices to the objective laws of socialism. 3. Socialist reform is the only effective way to combine the fundamental tenets of scientific socialism with concrete practice in our country. Lenin said that all nations will eventually realize socialism but not in exactly the same way. The practice of many socialist countries has proved that continuously conducting reforms to discover a road of socialist construction with national characteristics is the only effective way to pursue development.

II. What are the nature and characteristics of socialist reform? Comrades participating in the discussion held that socialist reform, in essence, means to destroy the old and establish the new; namely, destroying old and outdated relations of production and superstructure that are not in accord with the development of productive forces and establishing new ones that are

in accord with the productive forces and conducive to continuous development. This is a social change in the socialist system carried out in a purposeful, guided, orderly and voluntary manner to destroy the old and establish the new. It has three characteristics: 1) It is a voluntary and conscious activity of the socialist system; 2) it is a creative activity of the broad masses of people in practicing socialism; and 3) it is a social coordinative activity within the limit of contradictions among the people.

III. While enacting overall reform, attention should be paid to the following theoretical and practical issues: 1) The structure of ownership systems which accords with the uneven development of multiple echelons of our country's productive forces, has the public ownership system as its foundation and allows the coexistence of diversified economic sectors and management systems with the state sector occupying a dominant position; 2) implementation of various socialist responsibility systems; 3) adhering to the principle of considering the planned economy as a key and market regulation as a supplement in economic management; 4) persisting in the principle of overall consideration and all-round arrangement in our country's socialist construction; 5) adhering to the principle of independent and self-reliant modernization; 6) correctly handling contradictions of two different natures and consolidating and improving the state power of the people's democratic dictatorship; 7) simultaneously focusing on the construction of material and spiritual civilizations.

IV. How does the production responsibility system in our agricultural reform affect the socialist democratic system? The participants held that since the establishment of rural responsibility systems, people have paid more attention to their economic results than their political motives and significance. This will inevitably affect the reform of the superstructure and the further improvement of the responsibility systems. The establishment of rural production responsibility systems is a major indication of the progress in socialist relations of production in our country. At the same time, the responsibility systems have also embodied many important principles of socialist democracy. 1) They have embodied the consistency of the historical position of the people being their own masters in political and economic affairs; 2) they have embodied a high-level unity of citizens' rights and duties in a socialist society; 3) they have embodied the equal position of leaders and laborers; 4) they have embodied the revolutionary pioneering spirit of the masses. The participants also held that through reform we have changed agriculture from a sector which caused the most concern to one which is the most advanced. They held that the secret of our success is that we have found an effective mechanism that makes the economy and democracy interact with each other, suited the superstructure to the needs of the development of economic foundations and scientifically unified politics and the economy.

12302

CSO: 4006/162

GENERAL

CONFERENCE ON SHANGHAI ECONOMIC REGION URBAN PLANNING

Shanghai JIEFANG RIBAO in Chinese 9 Dec 83 p 1

[Text] Determined to follow the path of "push outward, draw together internally, reform, develop," transformation of the central city and development of satellite cities, a symposium was held by the standing committee of the Municipal People's Congress to discuss the draft of an overall plan.

It is learned that the standing committee of the Shanghai Municipal People's Congress yesterday (8 December) began a 3-day symposium to discuss a "Draft of an Overall Plan for Shanghai Municipality," worked out by the city government.

The purpose of the overall city plan, which is to plan the development of the city of Shanghai up to the year 2000, is something that every inhabitant of Shanghai is concerned with. The present symposium will again listen to opinions from all quarters in preparation of the formal deliberations soon to be held by the standing committee of the municipal people's congress. As soon as the proposed plan is passed by the standing committee and submitted to and approved by the State Council, it will assume legal character and form the basis for the development and administration of the city.

Wang Tao, vice chairman of the standing committee of the municipal people's congress, presided over the symposium. Vice President Zhao Zukang gave a speech dealing with such questions as the general idea of city planning, the different phases of city planning work and their mutual relations, the substance of the overall plan and the major points that the present symposium should discuss.

Zhang Shaoliang [1728 4801 2733], deputy chairman of the municipal construction commission, gave an explanation of the "Draft Overall Plan for Shanghai Municipality." He said, when drawing up the overall plan, attention was given to a correct disposition of four relationships, namely between economic development and city building, between renovating the old city and building up satellite cities, between immediate constructions and those to be left for the more remote future, between city planning and the national economy as well as the plans for social development. Zhang Shaoliang said that the future development of Shanghai and all planning and construction in this connection must give major

attention to speeding up the technological reform of industry and efforts to develop it into a new high-grade, precise and advanced industry. Attention must also be paid to strengthening harbor traffic, the buildup of postal service and telecommunications, energetic expansion of foreign trade and cultural exchanges, energetic development of cultural and educational affairs, strengthening the building of our spiritual civilization, vigorous development of finance and banking, trade, commerce, tourism, etc., strengthening the construction of residential housing, social service facilities and basic urban installations, to a conscientious environmental control and the creation of excellent working and living conditions for the people. Zhang Shaoliang also said that the overall plan for Shanghai city will follow the path of "pushing outward, coordinating internally, reforming and developing." Vigorous efforts will be made to gradually remold and build Shanghai into a modern socialist city of great economic prosperity, advanced science and technology, well-developed culture, a reasonable arrangement of municipal administration, good transport facilities and a clean and tidy environment.

Zhang Shaoliang also said that key to successful construction of Shanghai is the rational control of the size of the city. Effective measures must be taken to urge some employees, workers and family members to move and settle in the satellite cities or in the small industrial towns in the suburban neighborhood. It is also necessary to respond to the national need and mobilize Shanghai residents for the active support of construction in other parts of the country. He said, the scope of land use in the city of Shanghai must be strictly controlled. We must "cherish land as if it were gold" and make all efforts to encourage economies in its use.

When talking about the direction that the urban development is to take, Zhang Shaoliang said, we shall make great efforts to build and transform the central city, increase and develop satellite cities, step by step develop "both flanks," build up the small towns in neighboring counties and further develop Shanghai into a conglomerate of a modern socialist city with the central city as main body, the small suburban towns in relative independence and an organic bond between the central city and the towns in the suburban neighborhood.

Almost 200 people attended the symposium; among them were also the vice chairmen of the standing committee of the municipal people's congress He Yixiang, Di Jingxiang, Wu Rou'an and Li Peinan, Vice Mayor Ni Tianzeng, advisor to the municipal party committee Li Gancheng, advisor to the municipal government Ye Jinming [0673 6651 2494], deputy chairman of the municipal consultative committee Xu Yifang [1776 0110 2658] as well as other members of the standing committee of the municipal people's congress, some members of the municipal consultative committee, members of the standing committees of districts and counties, several responsible personnel of related interests and also other experts and scholars.

9808

CSO: 4006/187

GENERAL

SYMPOSIUM ON ECONOMIC ISSUES OF KEY CITIES

Guangzhou GUANGZHOU RIBAO in Chinese 3 Nov 83 p 4

[Article by Yang Chongguang [2799 6850 0342]: "Bring the Role of Key Cities Into Better Play -- A Summary of the Second National Symposium on the Economic Issues of Key Cities"]

[Text] The Second National Symposium on the Economic Issues of Key Cities was recently held in Wuhan. Attending the symposium were 138 scholars, specialists and economic workers hailing from 16 large and medium cities, 5 provinces and all relevant departments of the central authorities. At the symposium, the participants concentrated on discussion of the following issues:

First, bringing the economic role of key cities into play is an important part of the reform of the economic system. Some participants contended that if we consider expanding enterprises' autonomy the first stage of the reform of the economic system which started in 1979 and a breakthrough at that time, then we should consider bringing the economic role of key cities into play a new stage and a new breakthrough. This can be proved in four ways:

1. The objective of the reform of the economic system is to achieve the magnificent goal of quadrupling the annual gross value of industrial and agricultural production by the end of this century. Judged from the position of key cities in the national economy, we will not be able to fulfill this goal until we bring about a steady economic development in the key cities and bring along development in their neighboring areas.
2. Bringing the economic role of key cities into play is to meet the needs in developing the rural economy and expanding enterprises' autonomy. Along with the development of the production of farm and sideline products, large amounts of farm and sideline products have been transported to cities and new demands have been imposed on cities in regard to procurement, storing, processing (especially meticulous processing), plant protection and seeds. Cities are asked to become communications centers, material-distributing centers and processing centers in reality as well as in name. At the same time, bringing the economic role of key cities into play is a guarantee for expanding enterprises' autonomy and invigorating the microeconomy.

3. Bringing the economic role of key cities into play is a profound change itself. This is to scientifically organize productive forces in society. What is more important, it is to rationally change and readjust the relations of production and the superstructure. In other words, it is to conduct comprehensive reform of the economic system.

4. The development of the economic activities in key cities can spur reforms in the fields of administration, planning, finance, monetary affairs, commerce, foreign trade, material resources, commodity prices and labor. If we can do a good job in the reform of the economic system in key cities, we will be able to do a good job in the reform of the national economy and economic reforms in towns, medium and small cities and all departments.

Second, strategic issues of the economic development in key cities. Participants at the symposium unanimously held that in order to bring into play the economic role of key cities, we must formulate correct and scientific strategies for the development of cities. To do so, we must correctly understand the general and salient features of key cities, their internal economic structure and external economic contacts, their internal and external factors of economic development and their interrelations. At present, the economic role of key cities has not been brought into full play. Fundamentally speaking, it is because the management system which is based on administrative regions, systems and means has violated the nature, characteristics and objective laws of the urban economy. Therefore, every city must fully understand its geographic position, natural resources, historical changes and economic situations so as to give full play to the specific role of each city.

In order to bring the economic role of key cities into better play, we should create favorable conditions for establishing and strengthening external economic contacts such as establishing economic zones, urging the central and provincial authorities to adopt correct principles and policies on key cities and conducting economic reforms favorable to bringing their role into play. We should also actively readjust the internal economic system and structure of key cities, expand their decisionmaking power and improve their quality. We must do both. Both are indispensable.

Third, since the socialist economy is planned economy, the development of the urban economy must be planned. At the same time, since key cities are areas where commodity production and exchanges are most flourishing, they must observe the law of value and use various economic levers. However, the current planning system has become increasingly outdated for the development of the urban economy. It cannot effect an overall balance in the economic development and planning of cities, causing structural disorder, disproportion, overlapping construction, waste in transportation, market barriers and blocked circulation channels and various other drawbacks. Therefore, the planning system urgently needs to be changed. We should place it in an important position or even give it top priority.

Fourth, establish and develop economic zones based on key cities. Participants at the symposium conducted heated discussions on issues concerning the

nature and developmental prospects of urban economic zones, regional divisions, zoning standards and categories and the relations between urban economic zones and administrative divisions. There are three views on the analysis of the nature of economic zones: 1. Urban economic zones are changeable, transitional economic zones. They serve as a supplement to comprehensive economic zones -- namely large economic zones, provincial level economic zones and economic zones within provinces. They will eventually be readjusted and perfected in accordance with the planning of comprehensive economic zones. 2. The current urban economic zones have not been freed from the framework of administrative divisions. If things go wrong, new barriers can be created between different economic zones. 3. Establishing urban economic zones is to initiate a breakthrough in the previous economic management system and the organizational structure of the national economy. We must not underestimate its significance in theory and practice. The participants contended that in order to bring the role of key cities into better play and establish and develop economic zones, we should conduct national economic zoning to clarify the orientation of every economic zone.

12302

CSO: 4006/137

GENERAL

SHANDONG ECONOMIC CONFERENCE: READJUST GUIDING IDEOLOGY, FULFILL ECONOMIC GOALS

Jinan DAZHONG RIBAO in Chinese 7 Jul 83 p 1

[Text] Recently the provincial economic commission convened a provincewide meeting in Weifang County to analyze industrial economic activities and sum up the situation regarding the fulfillment of the targets for economic results so far this year. It discussed further tapping the potential of enterprises and the measures to raise economic results. Attending the meeting were members from all local and municipal economic commissions and responsible comrades from relevant departments, bureaus and companies. Deputy Governor Liu Peng [0491 7720] addressed the meeting.

The conference held that since the beginning of this year, the industrial and communications front has continued to adhere to the policy of readjusting, restructuring, consolidating and improving, and has realized in earnest the spirit of the national and provincial industrial and communications working conferences. Industrial production and economic results have improved, and the outlook of enterprises has undergone a fairly major change. Essentially, industrial production has maintained a relatively brisk pace; the quality of products has consistently been improved; new products have been turned out; the consumption of energy and raw and semi-finished materials has dropped; production and sales have expanded at the same time, and enterprises have been shifting from the production type to the production-management type. Profits have gone up, deficits have gone down, and the turnover of circulating funds has quickened. In addition, the work of enterprise consolidation has continued to be carried out, and the leading groups have been readjusted and strengthened. The standard of management and administration at enterprises has improved, while technological transformation has also achieved some success.

The conference pointed out that in spite of the improvements and increases in provincial industrial output and economic results, the situation is not yet ideal. Some targets have not fulfilled the requirements of the annual plan, creating many difficulties for raising economic results. Consequently, in the second half of this year, we must firmly adhere to the spirit of Premier Zhao Ziyang's "Report on the Work of the Government" to the First Session of the Sixth National People's Congress, persist with the policy of readjustment, make the improvement of economic results the first priority in all our work, further consolidate and develop the fruits of

stabilizing the economy, overcome the problems now existing in our task, continue to realize all the demands made by the national and provincial industrial and communications working conferences this year, and fulfill in an all-round way this year's targets for economic results.

The conference demanded that all localities, departments and enterprises further correct their guiding ideology in economic work, properly manage the relationships between speed and results, between macroeconomic results and microeconomic results, between the immediate and the long-term, and between the subjective and the objective. They must emphasize the subordination of partial interests to the general good, and should not protect those so-called "initiatives" which benefit the part but impair the whole and which impede the improvement of the overall economic results of society. They must consider both present economic results and long-term economic results. At the moment, objective difficulties being fairly serious, they must stress the exercising of subjective initiatives to solve the mentality problems of leading cadres, mobilize the masses to keep economic accounts in a meticulous way, find out the extent to which targets remain unfulfilled, exploit potentials, and improve economic results, so as to ensure the continued development of industrial production. They must persist with the policy of readjustment and succeed in organizing industrial production during the second half of this year, particularly when it comes to the continuation of readjustment in the industrial structure, in the product mix in the line-up of enterprises and in the organizational structure. They must organize production in accordance with social needs, and work hard to improve product variety and quality, upgrade standards and boost economic results. They should zero in on the reduction of energy consumption, the trimming of production costs, the upgrading of quality and the improving of economic results, and launch technological transformation, modernizing facilities and popularizing new technologies.

The conference demanded that all localities and units strive for the closing of deficits and the increasing of surpluses as a breakthrough toward the improving of economic results; exhaust all means to ensure that this year's deficits are eliminated; go all out to get rid of enterprises operating at a loss due to poor management; and work hard to create more enterprises and counties which do not incur losses.

During the conference, concrete demands were also made to consolidate enterprises, to upgrade technology and to train staff and workers during the latter half of this year.

12581

CSO: 4006/734

GENERAL

PROBLEMS IN REFORM OF KEY CITIES DISCUSSED

Guangzhou GUANGZHOU RIBAO in Chinese 1 Dec 83 p 4

[Abstract of a speech presented at the Second National Symposium on Economic Problems in Key Cities, by Lin Ling [2651 040], Vice-President of the Sichuan Academy of Social Sciences: "Problems Concerning the Reform of Key Cities"]

[Text] Since the Third Plenum of the 11th Party Central Committee, the systematic reform of China's economy has roughly been divided into two stages. The sign of the first stage is expanding the autonomy of enterprises, and the sign of the second stage is bringing into play the role of key cities. As regards the problem of bringing the role of key cities into play, we both must profoundly carry out a theoretical probe and study the solving of a whole series of complex problems, and of these two the latter is more urgent. Concerning this, I will discuss, in theory, three major questions with some preliminary ideas.

1. The Problems of Bringing the Role of the Key Cities into Play and Establishing a Macroscopic Economic Management System

The macroeconomic management system that China is carrying out for the management of its economic organizations is a system integrating units of various departments and various regions. This management system is a scientific management principle and method, but when being implemented, it mistakenly links the enterprises' subordinate relationships and all aspects of economic profit to departmental or regional management. Originally it was a scientific management principle, but it has become the shackles that hinder both economic development and the smooth carrying out of reform.

Key cities are the point of unification for departmental and regional type units. Enterprises with different subordinate relationships are usually concentrated within the cities and surrounding areas. The ultimate aim of reform is to abolish the subordinate relationships between the departments and regions (including municipalities and their districts, the same hereafter) and the enterprises, and to dismantle the direct economic profit relationships between the departments and regions and the enterprises, and have key cities carry out planned guidance, inspection and supervision for enterprises, while the enterprises manage daily economic activity independently. To achieve this goal, we must implement a few interim measures. First, by means of

substitution we must dismantle the economically profitable relationships between the departments and regions and the enterprises. The substitution of taxation for profit delivery can cause the economic profit relationship to achieve proper handling in three respects. First is the relationship between the state and enterprises. The state collects taxes according to the categories of taxes and tax rates stipulated by tax laws. Enterprises assume economic responsibility directly towards the state, and are responsible for their own profits and losses. There is vigor within and pressure from the outside. Second is the relationship between departmental units and regional units. Enterprises uniformly pay taxes on-the-spot to tax departments, and tax departments are vertically led by the central government's taxing bodies. Because departments and regions lose the economic profits coming from enterprises, the sight of subordinate relationships also gradually fades away. Third is the relationship between the central government and localities. After the financial system in which regions and departments were responsible became a financial system in which the central government and localities divided taxes, units of the same nature did not again participate in the distribution of funds. The central government and localities each collect taxes according to the stipulations of tax laws, and their relationships can be handled fairly well.

Second: according to the spirit of the central government's stand regarding the province basically not controlling enterprises directly, the enterprises' subordinate relationship is gradually becoming simplified. Except for railroads and the postal service which are directly controlled by the central government, the enterprises subordinate to the provinces should be managed by the key cities. The key enterprises subordinate to central ministries can, for the time being, not change their subordinate relationship, but they must give the key cities the authority to set up specialized cooperation. The ministries' subordinate key enterprises will temporarily not be relegated to lower levels, not only in consideration of the fact that the key cities' present management system is not suitable, but also because the planning, finances and materials systems currently in existence are not advantageous to the overall balance of the national economy and the development of the enterprises themselves. For similar reasons, individual enterprises subordinate to the provinces can also temporarily be not transferred to lower levels. Ministries and provinces can also be allowed to absorb individual enterprises to create nationwide or region-wide companies. Key cities must adopt an enlightened attitude in this regard.

Third, key cities must suit the needs of the new system and enthusiastically explore new forms and methods of economic management. In the future, the trends of economic management in key cities will be: a reduction in direct control and strengthening of economic scientific and technical consultations in economic information work; a reduction in management by administrative measures, strengthening in management by economic means, a change from a closed economy and a strengthening of relations with foreign economies. This then requires that key cities at the right moment establish an economic management system with a new look: 1. an economic information system; 2. an economic regulatory system; 3. an economic investigative and supervisory system; and 4. a foreign economic relations system. At the same time, we are

carrying out a fundamental transformation of our economic policy making system and policy making sequence.

In carrying out management of economic zones and networks using cities as the key, we must not abolish management of departmental and regional units. Departmental management is a product of a progressive society, and regional management is a product of the division of labor in the realm of work. Key cities, when performing their own management functions, must proceed from the situation as a whole, and implement the regulations of the central government and relevant provincial departments regarding trade plans, dispersion of trades, product technical standards, industry technical development and other such aspects, and cause the economy and overall situation of key cities to receive coordinated development.

2. The Problems of Bringing into Play the Role of Key Cities and Provincial and Central Government Reforming Being Synchronous and Comprehensive

The reform of the economic management function of provinces' and central government's relevant departments should be synchronized and comprehensively matched to the key cities' role. Otherwise, we will spoil the bringing into play the reform and effect of key cities.

There are two categories of reform of economic management bodies at the provincial level. The first is a reform of the bureaus and offices of industrial departments, producing a change in management functions: from direct management of the personnel, finances and materials, production, supply and marketing, and settling of the large problems of an enterprise and achieving great economic profits from enterprises, [they must] change to truly representing the state in implementing management for the entire industry. Second is reform of the bureaus and offices of the lateral type departments, producing a change in authority. This touches upon planning, finance, labor, wages, materials, commerce, foreign trade, etc.

Among these authorities, problem of financing is central. From the view of the entire nation, the key cities are the main source for funds at the provincial level. In order to solve the problems of backward prefectures, provinces demand that key cities make greater contributions. Thus, on average they keep fairly tight the income and expenditures of key cities. But because the financial power of key cities is insufficient, difficulties exist in their transformation and development, and they demand an increased proportion of funds. This then causes a sharp contradiction. I feel that the method of separating key cities from provincial finances cannot be adopted. Even for single items in the state plan, there must always be a certain proportion handed over to provincial finances. Bringing into play the role of key cities is, for provincial finances, a large reform and assault, and temporary incongruities are unavoidable. This demands that we both improve our level of recognition and our level of leadership.

3. A Few Problems that Key Cities Must Take Note of In Reform

(1) Make clear the goals of reform and competently handle multiple inter-relationships. There are three goals of reform. First, establish an economic

zone and economic network with the city as the key, break through the barriers of departments, regions and the city and countryside, and unify the organization of production and circulation. Second, liberate the city's productive forces and greatly improve economic results and the level of production and management. Third, perfect China's socialist system and make contributions towards establishing socialism with Chinese characteristics. These three goals are mutually connected, and reforms must use them as targets. The reform of giving play to the role of key cities is a great reform in the relations of production. We will disturb rights and interests in many areas and the resistance coming from many sides is great. Thus, key cities must especially pay attention to competently handling relationships with each department of provinces and the central government, as well as other provinces and cities. They should not consider themselves autonomous, but there must be equality and mutual benefits, and at the same time they must enthusiastically support the development of the economies of economically backward regions.

(2) Resolutely carry out the policy of opening up to the outside world and prevent the formulation of new regional barriers.

The model of opening up refers to key cities bringing in from abroad and other areas, without obstacles, goods, funds, technology and other things, and exporting, without obstacles, goods, funds, technology, etc. Achieving this is not easy: we must first depend on purchasing power, and second depend on policy. When we have purchasing power we are not afraid of being sealed off. Key cities must adopt flexible policies and enthusiastically attract funds and technology from abroad. For example, factories built with foreign investment do not alter subordinate relationships, and profit, tax revenue and even output value can all be returned.

Reform within key cities must still take the arousing of the initiative of enterprises and workers as their starting point. The fundamental starting point for a systematic reform is to liberate and develop the productive forces of an enterprise. If the reform of key cities is accomplished by demanding power from above and accepting power from below, then the reform will definitely fail. The reform of key cities must consider the vitalizing of enterprises as the key link. This way, there is a motive force for enhancing an enterprise's quality, and there is then a basis for increasing an enterprise's purchasing power.

12437

CSO: 4006/164

GENERAL

BRIEFS

XINJIANG PLANNING COMMITTEE--Under the direct leadership of the regional CPC committee and the regional people's government, the Xinjiang Regional Planning Committee has been set up and has commenced working. This committee will play an important part in exploiting and building the region. The post of the chairman of the regional planning committee is concurrently held by Qi Guo, secretary of the regional CPC committee, and the posts of the vice chairmen of the regional planning committee are held by Zhang Sixue, (Li Baozhang), and (Jin Shisi). The committee has 11 members. The committee has set up under it an office and six groups of agriculture, animal husbandry, industry, communications, finance, trade, science, and education. All prefectures, autonomous prefectures, cities, and departments will also set up planning leadership groups. [Summary] [HK250740 Urumqi Xinjiang Regional Service in Mandarin 0100 GMT 19 Jan 84 HK]

LIAONING TAX EVASION--Since September, Liaoning Province has conducted tax inspection in 21,900 enterprises, discovering that 9,900 enterprises have evaded taxes, and has collected more than 18.37 million yuan of evaded taxes. As of 20 October, the province had fulfilled 87.1 percent of its industrial and commercial tax plan, a 7.9 percent increase over the corresponding period of last year. To strictly enforce financial and economic discipline, stop loopholes and increase state revenue, all localities and cities of Liaoning have taken the lead in mobilizing enterprises to carry out tax inspection on their own. The inspection group of the Jinzhou Petroleum Main Co has discovered and paid more than 200,000 yuan of evaded taxes in just 7 days. Dongling district of Shenyang city has inspected 179 brigades and discovered and paid 425,000 yuan of evaded individual transportation and local taxes. Liaoning Province has also conducted spot checks on major enterprises throughout the province. The first subbureau of the Benxi City Tax Bureau has checked 27 major enterprises, discovering that 14 enterprises have a tax evasion problem. The bureau collected 650,000 yuan of evaded taxes. [By Lu Shudong] [0712 2579 2639] [Text] [Beijing JINGJI RIBAO in Chinese 11 Nov 83 p 1/ 12302]

CSO: 4006/162

PUBLICATIONS

COMMITTEE TO COMPILE INDUSTRY DIRECTORY

OW272136 Beijing XINHUA in English 1457 GMT 27 Jan 84

[Text] Beijing, January 27 (XINHUA)--A committee was set up here today to edit and publish the "Directory of Chinese Industrial and Commercial Enterprises."

The committee is composed of representatives from State Council departments, the XINHUA News Agency and the XINHUA Publishing House. Leading officials of State Council departments have been asked to act as advisers.

The directory, first published in 1981, gives details of China's major factories and firms in industry, transport commerce, finance and foreign trade, and information about the country's economic development.

The directory has already been published in Chinese and English, a spokesman for the new committee said. The volume on Jiangsu Province is also out, and those on other provinces and municipalities are being edited, he added.

The directory has helped promote economic cooperation and trade between China and other countries, and improve domestic supplies and marketing, the spokesman said.

CSO: 4020/062

PRC WILL CUT NUCLEAR PLANT COST VIA SAFETY PLANS

HK160152 Hong Kong SOUTH CHINA MORNING POST in English 16 Jan 84 p 1

[Article by Albert Chan]

[Excerpts] A senior Chinese official has told two local pressure groups that China will strive to limit the cost of the Daya Bay Nuclear Plant at the expense of the latest safety measures.

China will model the Daya Bay Plant on the latest safety standards and specifications available at present, and will stick to them until the project is completed—which is expected to take about 5 years.

And China would probably not follow new specifications and requirements as they came about, because this would push up costs and delay the building schedule.

This was revealed by the vice-minister of the Ministry for Water Resources and Electric Power, Mr Peng Shilu, who is in charge of the planning of the plant, during a 2-hour meeting on Saturday morning in Shedou with representatives of the Joint Organization Concerned with Nuclear Energy [JOCNE] in Hong Kong and the Coalition of the Monitoring of Public Utilities.

According to Mr Peng, China has picked the 30th pressurised water reactor in France—the most recently completed one—as a model for the Daya Bay Plant.

The eight-member Hong Kong delegation told Mr Peng that the cost of plants in the United States was constantly increasing, partly because of the need to adopt new safety standards.

Miss Trini Leung, spokeswoman for JOCNE, said at a press conference yesterday that her group would try to collect the latest information on safety measures and provide it to the Chinese authorities.

At the meeting in Shekou the local group pointed out the contradiction between safety and economy, and urged the Chinese authorities to put the strongest emphasis on the former, said Miss Leung.

"It will be even more expensive if the plant has to be closed down because of troubles triggered by lack of prior precautions," Miss Leung argued.

On the economic aspects of the plant, Mr Peng had repeatedly stressed that nuclear electricity would be cheaper than traditional coal fired electricity.

He revised an earlier estimated price tag for the plant from U.S.\$3.5-3.7 billion (which Mr Peng said in November) to U.S.\$3.3 billion (about \$25.7 billion).

This means an even more marked difference from China Light and Power's \$32 billion estimation.

The group also expressed concern about the fact that China, being a communist country, had nationalised everything, and so there was no independent safety watchdog, usually found in Western countries.

Mr Peng believes the plant will adhere to very strict safety measures which make contingency plans unnecessary.

CSO: 4020/063

AFP REPORT ON STRIKE SITUATION IN HONG KONG

OW221253 Hong Kong AFP in English 1234 GMT 22 Jan 84

[Text] Hong Kong 22 January (AFP)--Hong Kong's Mass Transit Railway (MTR) and striking train drivers met today following a walkout over hours and union recognition by some 40 drivers that began this morning.

Meanwhile some 100 people were staging a sit-in at MTR headquarters, MTR spokesman Tony Turner said, while some of the leaders reportedly had begun a hunger strike.

Mr Turner said the government Labour Department was mediating a meeting between the two groups that was already into its third hour tonight and was expected to last longer.

He said the system was running normally, using other staff qualified to operate the trains, and that it could continue under these emergency conditions "for as long as we are forced to" with only a slight amount more congestion during peak hours for the heavily used system.

The walkout comes 10 days after thousands of taxi drivers went on strike forcing the government to cancel plans to raise registration and license fees.

The MTR strike began after the chairman of the train operators staff union called in early this morning to say he was "taking industrial action."

The operators were demanding the MTR drop consideration of a flexible work schedule and adopt a new performance appraisal system. They also wanted recognition of the union for wage and work conditions negotiations, and no disciplinary action for the strike, Mr Turner said.

The MTR system opened in October 1979 and has 5,000 employees. The union has about 160 members, Mr Turner said.

He said the MTR had a consultative staff council charged with considering employee problems and that the corporation "would not want to negotiate in terms of wages and hours with a small number of people that could affect 5,000 people," he said.

RAILWAY STRIKE CONTINUES; TRAINS STILL RUNNING

HK231122 Hong Kong Domestic Service in English 1000 GMT 23 Jan 84

[Text] A strike by MTR [Mass Transit Railway] drivers is likely to continue through the night and into tomorrow; in the meantime, trains will continue to run with only minor delays. The driver's strike is over working hours and union recognition. A spokesman for the MTR corporation, Mr. Tony Turner, said the corporation would continue to run trains using trained staff, including driving instructors. He said he believed that services could be maintained despite the fact that some instructors joined in the strike.

According to the strikers, about 27 driving instructors have warned that they could join the protest.

[Paragraph indistinct]

[Begin Recording] [Turner] As far as the effort to continue some sort of discussion is concerned, there has been no breakthrough. We only hope that, perhaps, there will be some grounds found for discussion tomorrow.

[Dyson] What's your plan from here, how long can you go on running trains using the stopgap measure of other staff?

[Turner] Well, the same will apply tomorrow as applied today during the morning peak. We hope that we can perform as well as we did this morning, and we anticipate that we could probably maintain this for quite some time. [end recording]

CSP" 4020/063

HONG KONG RAILWAY STRIKE CONTINUES

OW230633 Hong Kong AFP in English 0556 GMT 23 Jan 84

[Text] Hong Kong, 23 January (AFP)--Government mediators were trying to set up a second meeting today between Hong Kong's Mass Transit Railway (MTR) Corp. and striking train drivers following the breakdown of a 6-hour negotiation yesterday, an MTR official said today.

Meanwhile around 60 people were staging a sit-in at MTR headquarters today in a continuation of walkout over hours and union recognition begun yesterday by some 100 drivers, MTR spokesman Tony Turner said.

He said "some (protestors) stayed all night," despite unusually low temperatures of around 8 degrees. Reports that some of the leaders were on a hunger strike could not be confirmed immediately.

Mr Turner said that last night's meeting had "failed" and that the British colony's Labour Department was trying to schedule another round for later today.

The MTR, used by nearly half a million commuters on weekdays was running with only slight delays during peak hours today with as many as 100 qualified station staff substituting for the normal drivers, he said.

It also operated yesterday with substitutes. Mr Turner reported "no problems" in the 2 days' emergency operations and said yesterday that the system would continue to move "for as long as we are forced to."

The drivers, members of the train operators staff union, were demanding that the MTR drop plans for flexible rostering, adopt a new performance appraisal system, recognize the union for wage and work negotiations, and agree not to administer disciplinary action for the strike, Mr Turner said.

The union has about 160 members of the corporation's total 5,000-member workforce, he said. The union reportedly claims several hundred members.

The deadlock appears to be rooted in management's stand that grievances by any employees can be represented in its Consultative Staff Council, which was involved in decisions on some matters which the drivers are contesting, he said.

The strike is the first within the MTR since its opened in 1979 and is the second in Hong Kong this year, following a massive walkout by taxi drivers 11 days ago that disrupted transport in some areas and inconvenienced commuters for several days.

The government said in 1982 that Hong Kong had "an outstandingly good record for industrial peace," and official figures show that the number of strikes has decreased in the past 3 years.

There were 49 strikes in 1981, 33 in 1982 and 11 in 1983. Working days lost per thousand employees also fell: 7.18 days in 1981 to 8.4 in 1982 to 1.15 in 1983.

CSO: 4020/063

RAILWAY DRIVERS AGREE TO CALL OFF STRIKE

HK250120 Hong Kong HONG KONG STANDARD in English 25 Jan 84 p 1

[Excerpts] More than 100 drivers of the Mass Transit Railway Corporation [MTR] this morning called off their strike after reaching an agreement with the management. A statement released by the MTR said the strikers would resume work at 5:15 a.m. today, ending the 3-day action which had cost the MTR nearly \$100,000 in earnings.

The agreement was reached after several hours of negotiations. Although there were few details, the statement said the MTR would recognise the drivers' union. The management agreed to continue consultations on the flexible duty roster scheme and the merit system which had been strongly opposed to by the union. Both sides also agreed to mediation by the Labour Department in future disputes. The drivers' representatives expressed satisfaction with the agreement.

The breakthrough came after prolonged mediation by the Labour Department at the MTR Headquarters in Kowloon Bay, as the two parties had refused to sit down together to iron out their differences.

The 17 drivers' representatives--11 from the striking union and 6 from various labour groups--who talked with 2 labour department officials, emerged with an undisclosed formula last night for the strikers' approval.

The formula was endorsed by the strikers at a voting session at their union premises nearby. The approved formula was then presented to the management.

Earlier, the MTR spokesman, Mr Tony Turner, said there had been some progress and that there had been good feedback from the labour officials.

He said the corporation was trying hard to achieve a solution and "the union had also been attempting to reach a conclusion which would meet the requirements of both parties."

Although there had been no formal meeting between the two sides, the labour officials had obviously been playing a key role in seeking what both sides had been looking for--common ground.

One of the labour officials, Mr Chow Tung-shan, said earlier both sides had realised that, in the end, they had to go through negotiations.

It was learned that the deadlock in the past 2 days has been caused by the fact that neither side wants to back down under duress.

CSO: 4020/063

1983 TOTAL EXPORT VALUE INCREASES OVER 1982

HK270146 Hong Kong HONG KONG STANDARD in English 27 Jan 84

[Text] The government yesterday reported that the value of the total exports for 1983 amounted to \$160.7 billion, representing an increase of 26 percent over 1982.

According to the provisional trade figures published by the Census and Statistics Department, the value of domestic exports increased by 26 percent of \$21.37 billion to reach \$104.4 billion.

Meanwhile, the value of re-exports rose by 27 percent or \$11.94 million to \$56.3 million.

The value of imports reached \$175.44 billion in 1983, an increase of 23 percent or \$32.55 billion over 1982.

The visible trade deficit for 1983, at \$14.74 billion, was thus smaller than that in 1982, at \$15.51 billion.

As the growth rate of the value of total exports was higher than that of imports, the visible trade gap, that is the proportion of the value of imports not covered by that of total exports, narrowed to 8.4 percent in 1983, from 10.9 percent in 1982.

A comparison of the figures of December 1983 with the corresponding period in 1982 shows the value of total exports was 33 percent or \$4.25 billion higher.

This overall increase was made up of an increase of 30 percent or \$2.53 billion for domestic exports and an increase of 38 percent or \$1.72 million for re-exports.

The value of imports, on the other hand, was 35 percent or \$4.88 billion higher. As a result, the visible trade gap in December 1983 was 9.4 percent, compared with 8.2 percent during the corresponding period in 1982.

Commenting on these comparative figures, a government secretariat spokesman said that the growth rates of total exports and of imports had accelerated since the second quarter of 1983 as the economies of Hong Kong's main markets, in particular the United States, improved.

The depreciation of the Hong Kong dollar during the first 9 months of 1983 also enhanced Hong Kong's external competitiveness. He added that the short-term export prospects remain encouraging.

The director [of the] Hong Kong General Chamber of Commerce earlier predicted that 1983 should finish with a "big surge" particularly with the United States where people were rushing for the Christmas goods in the wake of economic recovery.

Trade analysts said the strength of Hong Kong's export had been sustained for the last 3 months of last year. The trade figures of first ten months of last year already showed an export increase of 23 percent to \$83.09 billion, imports by 20 [percent] to 139.49 billion and reexport by 23 percent to \$44.33 billion, against the corresponding period of [the] previous year.

The value of domestic export the first 11 months of last year was 25 percent higher than in the corresponding period of [the] previous year and an increase of 26 percent for reexports.

CSO: 4020/063

EXPORT STATISTICS FOR JANUARY-NOVEMBER 1983

HK180115 Hong Kong HONG KONG STANDARD in English 18 Jan 84

[Text] Hong Kong's domestic exports for January to November 1983 rose by 25 percent over the same period in 1982 to \$93,484 million, imports by 21 percent to \$156,520 million and re-exports by 26 percent to \$50,078 million. Domestic exports and re-exports together showed an increase of 25 percent, according to figures released by the Census and Statistics Department.

Total merchandise trade for the same period increased by 23 percent.

Demand for imported goods from China remained strong. Increases were recorded mainly in textiles (by \$2,481 million or 48 percent); clothing (by \$1,468 million or 35 percent); vegetable and fruit (by \$303 million or 20 percent); meat and meat preparations (by \$286 million or 27 percent); and crude animal and vegetable materials (by \$275 million or 38 percent).

Significant increases were also recorded in domestic exports to China of textiles (by \$604 million or 73 percent) and feeding stuff for animals (by \$101 million or 170 percent); and in domestic exports to Japan of metalliferous ores and metal scrap (by \$112 million or 57 percent).

Domestic exports to the United States rose by 40 percent in value. Substantial increases were recorded in clothing (by \$4,224 million or 40 percent), telecommunications and sound recording and reproducing apparatus and equipment (by \$2,038 million or 106 percent) and office machines and automatic data processing equipment (by \$1,672 million or 111 percent).

On the other hand, decreases were recorded in plastic toys and dolls (by \$260 million or 9 percent) and transistors and diodes (by \$120 million or 55 percent).

Increases in domestic exports to the UK were registered for metalliferous ores and metal scrap (by \$619 million or 937 percent), office machines and automatic data processing equipment (by \$193 million or 303 percent) and textiles (by \$107 million or 26 percent). However, a decrease was registered for office and stationery supplies (by \$23 million or 57 percent).

Commodities

Most commodities exported to the Federal Republic of Germany increased in value, including clothing (by \$205 million or 6 percent) and office machines and automatic data processing equipment (by \$172 million or 330 percent), but the domestic exports of electrical machinery, apparatus and appliances, and electrical parts have decreased by \$17 million or six percent.

As for imports from Japan, increases were noted for electrical machinery, apparatus and appliances, and electrical parts thereof (by \$2,055 million or 72 percent); and textile (by \$1,402 million or 36 percent).

Most commodities reexported through Hong Kong showed strong growth, the more significant ones being clothing (by \$1,343 million or 50 percent); electrical machinery, apparatus and appliances, and electrical parts (by \$1,237 million or 40 percent); textile yarn, fabrics, made-up articles and related products (by \$1,095 million or 19 percent), and photographic apparatus, equipment and supplies, optical goods and watches and clocks (by \$945 million or 33 percent).

CSO: 4020/063

BRIEFS

TRANSIT TRAIN DRIVERS STRIKE--Train drivers of the Mass Transit Railway [MTR] have gone on strike, but services have not been disrupted. The drivers are protesting against the management's refusal to recognize their union for negotiation purposes. They are also demanding changes in the rostering system. A number of drivers are staging a sit-in outside the MTR headquarters at Kowloon Bay. Station controllers and other MTR employees are helping to keep services running. [Text]]HK220707 Hong Kong Domestic Service in English 0700 GMT 22 Jan 84]

CSO: 4020/063

- END -